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CEO INTERVIEW

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MINING

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ENGLISH EDITION

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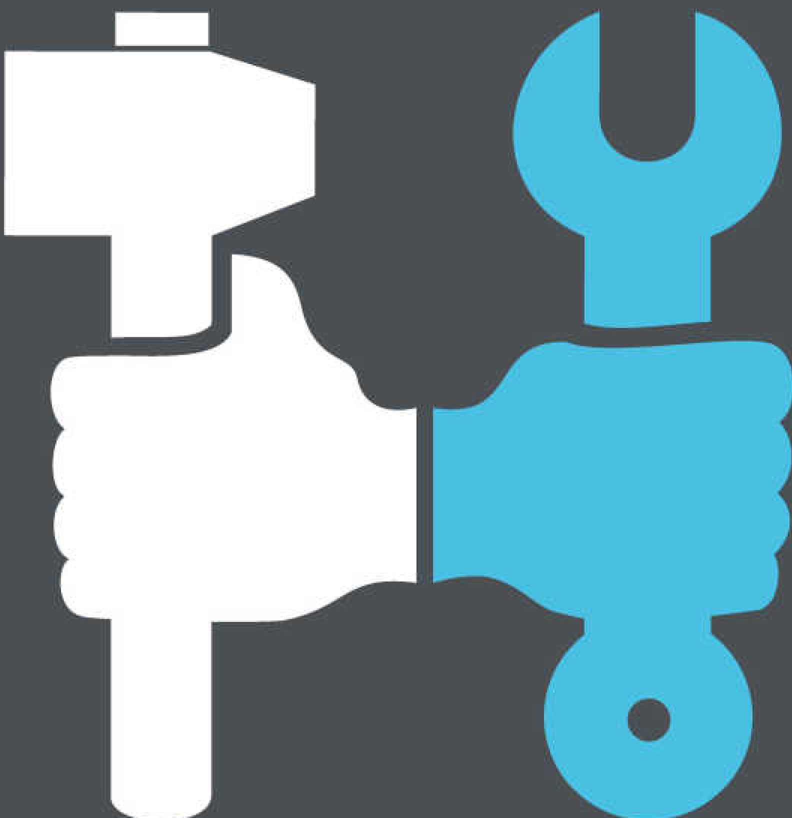

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YOUR GUIDE TO ONLINE SHARE-TRADING: **PART 3**

from the editor

JANA MARAIS

Billionaire investor and philanthropist Warren Buffett likes to say, "Only when the tide goes out do you discover who's been swimming naked."

What he means is that it is easy to make money in the good times – it's during the tough times that management's real business acumen comes to light.

Well, the tide's gone out, and there are a whole bunch of people running for cover. Looking at SA Inc., the obvious example would be Lonmin (see pages 13 and 30). The world's third-largest platinum miner, which sits on some of the richest platinum deposits in the world, is asking for a shareholder bailout for the third time in just six years. Yes, low prices have a role to play, but how much of its troubles – labour, high-cost shafts, BEE ratings – are actually the result of poor management over the years?

Here I want to let current boss Ben Magara off the hook – by the time he, and most of the current team, joined, the damage to Lonmin was already done. It's all the well-paid CEOs who came before Magara – particularly Ian Farmer and Brad Mills – who should be standing with their swimming trunks around their ankles.

MTN would be another obvious example. In the good times, no shareholder asked any tough questions about its operations in Nigeria, or its operations anywhere, for that matter. As long as it was printing money, nobody cared. That has all changed in the past two weeks after the Nigerian regulator imposed a record $5.2bn fine on the operator, a fine roughly equal to a quarter of its (now much diminished) market capitalisation at the time *finweek* went to press. So far, no detailed answers have been forthcoming.

On a national level, we have also messed up. When the times were good – and they were good for all commodity exporters – we should've focused on building other sectors of the economy to reduce our reliance on mining, and putting reserves away for a rainy day. What happened instead was a government spending frenzy that's led our debt to nearly double as a proportion of GDP. Well, the tide is out, and there is no beach towel in sight. ■

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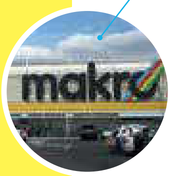

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By James-Brent Styan

SA ECONOMY

Why no load-shedding is bad news...

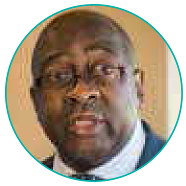
South Africa's electricity usage, economic growth and government debt are all interlinked. Drastic changes are needed in order to brighten the country's outlook, which currently looks bleak.

We have been without load-shedding for around 80 days now. This is the worst thing to happen in South Africa today.

Why? Because it is an indication of the crisis the economy finds itself in.

Between 2014 and 2015, SA's peak demand for electricity has shrunk by between 1 500MW and 3 000MW. Peak demand today is around a level of 30 000MW. In 2014 peak demand was hitting levels of around 33 000MW. More concerning is when you look back a bit further, in 2011 peak demand was hitting levels of 36 000MW.

This is not a good story to tell. Looking at the National Treasury's economic growth indicators, the figures bear out what the electricity data is revealing. In his Medium-Term Budget Policy Statement late last month, minister of finance Nhlanhla Nene revised the country's 2015 economic growth forecast downwards to 1.5%. Projections for 2016 have also been revised downwards.



Nhlanhla Nene
Minister of finance

Between 2014 and 2015, SA's peak demand for electricity has shrunk by between 1 500MW and 3 000MW. Peak demand today is around a level of 30 000MW. In 2014 peak demand was hitting levels of around 33 000MW.

Bleak outlook on tax revenue

Nene was at pains to explain how government expenditure is under increasing pressure given the lack of growth in revenue.

In the speech, he said that SA's gross tax income will fall by R7.6bn this year. And over the next three years? It's projected to decrease by R35bn. So what happens when government's income is not increasing but expenses are? It must find money somewhere so it ends up borrowing more – a lot more.

Again, the data is there. Since 2008, SA's debt-to-GDP ratio has increased from 27% to 47% in March this year. More concerning is the fact that government plans to add an additional R600bn of debt to the balance sheet over the next three years. *R600bn*. It's worth repeating.

Some more data on state debt: in March of 2015, the country's debt payments for the next three years were projected to be R420bn. That's roughly R387m per day. Paying for debt – almost two Nkandlas per day.

Why am I hammering on economic growth? Because quite simply, without it, the country cannot deliver on its promises to lift people out of poverty and create jobs. We will also get more and more indebted. If government debt stays on the upward trajectory it is, then ratings agencies may start to relook the credit rating of the government.

Any downgrade would add a massive amount of additional pressure to the whole mix.

Will the NDP remain relevant?

The current economic growth also makes the National Development Plan (NDP) a lame duck that is meaningless. The contents of the NDP are meant to transform SA into a truly global powerhouse. The NDP is meant to eliminate income poverty by reducing the number of households in the country earning a monthly income of less than R419 per person (in 2009 prices) from 39% to 0%. The implementation of the NDP is also meant to reduce inequality and shrink the Gini coefficient from 0.69 to 0.6.

To achieve these two aims, the NDP identified some enabling milestones. These include increasing employment from 13m people in 2010 to 24m people in 2030.

This is real jobs, not 'job opportunities', by the way. The NDP also notes the need to produce sufficient energy to support industry at competitive prices, ensuring access to electricity for poor households, while reducing carbon emissions per unit of power by one third.

That is quite a mouthful.

For me the NDP stands and falls at one point, and I quote: "Transforming the economy and creating sustainable expansion for job creation means that the rate of economic growth needs to exceed 5% per year on average." South Africa is currently growing at 1.5%.

We may as well throw the NDP out the window. Unless we believe the country will somehow grow at levels of 9% plus in years to come?

The only good thing about a slow economy is that it gives Eskom the space to do proper maintenance on its power stations. I sincerely hope and pray this is what's happening. If not, we're going to be in for a turbulent decade to come. ■

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Eskom's Grootvlei power station in Mpumalanga

James-Brent Styan has written about Eskom since 2008. His book, *Blackout: The Eskom Crisis*, is published by Jonathan Ball Publishers. He is an employee of the Western Cape Government and writes in his personal capacity.

the week in brief

"The point I am making is that the policies are in place, the constitution is in place, but if those in power can pick and choose when to adhere, when not to adhere then we have a very difficult situation."

Former president **Kgalema Motlanthe** in an interview with *Business Day.* Motlanthe said the ruling party was presently made up mostly of members and leaders devoid of the kind of political ability and consciousness required to maintain a united and non-racial society.

Kgalema Motlanthe Former president

"We've really reached breaking point."

AgriSA senior economist **Thabi Nkosi**, describing the impact of the worst drought in 23 years on South African livestock and maize farmers, in an interview with *Moneyweb.* AgriSA says farmers will need government guarantees for bank loans ahead of the new planting season, or to assist in buying animal feed. The main affected areas are the Free State, the North West and KwaZulu-Natal.

"REGRETS? I DO NOT REGRET. THE ONLY REGRET I HAVE IS THAT IN MY LIFE IN FOOTBALL I AM A VERY GENEROUS MAN IN MY THOUGHTS AND I THINK PEOPLE ARE GOOD AND THEN I HAVE REALISED THAT MOST OF THE TIME I WAS, LET'S SAY, TRAPPED BY PEOPLE."

Suspended Fifa president **Sepp Blatter** in an interview with the *Financial Times.* Various investigations into corruption allegations, targeting a number of current and former Fifa officials and associates, are currently underway by authorities in the US, Germany, the UK and Switzerland.

"VW is leaving us all speechless."

Arndt Ellinghorst of banking advisory firm Evercore ISI in an interview with Reuters, after the German carmaker announced that it had understated the fuel consumption of 800 000 cars sold in Europe. Volkswagen (VW) is already under fire after it came to light that the software on up to 11m diesel vehicles vastly understated their actual carbon dioxide emissions. US environmental regulators said on 2 November that similar "cheat devices" were installed on engines used in Porsche and Audi vehicles, a claim VW has denied, Reuters reported.

NEW CAR SALES

-8.6%

New vehicle sales have fallen by 8.6% year-on-year to 54 244 units in October as government curbed spending, car rental firms were hit by a decline in the number of tourist arrivals and the increasing popularity of ride-hailing app Uber affected fleet renewals, *Business Day* reported.

GLENCORE CUTS DEBT

$25bn

Commodities group Glencore expects its net debt to fall from around $30bn in September to $25bn (R344bn) by the end of 2015, lower than some analysts expected, through asset sales and bond repurchases, ft.com reported. Glencore, whose share price has fallen 60% this year because of lower commodity prices and its high debt levels, said its marketing arm had a stronger quarter, with improved contributions from metals and minerals, and agricultural products.

CHINA'S GROWTH TARGET

6.5%

The Chinese government has set a 6.5% growth target for annual economic growth from 2016 to 2020, which will allow the country's GDP and per capita income in 2020 to be double what they were in 2010, nytimes.com reported. The current development plan, which runs from 2011 to end 2015, set an annual growth target of about 7%, nytimes.com said.

AMAZON'S NEW BOOK BET

6 000

Online retailer Amazon opened its first bricks-and-mortar bookshop in Seattle, its first-ever physical store. It stocks 6 000 books that have been chosen based on reviews and sales data from Amazon's website, Sky News reported. A revival of physical book sales is under way, after a decade of decline. E-book sales fell by 10% in the first five months of the year, according to the Association of American Publishers.

DOUBLE TAKE — BY RICO

THE GOOD

Private education group Advtech – which resisted a takeover offer from rival Curro Holdings in July – has seen its shares reach a new record after news that shareholders support an R850m rights offer. Unlike Lonmin, which is begging shareholders for cash to keep operating, Advtech wants to use the money to fund expansion, make acquisitions, and restructure some of its debt, which resulted from substantial acquisitions made last year.

THE BAD

Water supply is SA's next Eskom crisis, investment bank Nomura warned in a report this month. A third of South Africa's municipalities have dysfunctional wastewater treatment works, but despite a looming drinking water crisis, the department of water and sanitation has failed to spend a massive R2bn of its budget, according to *City Press*. It has also not yet released the Blue and Green Drop reports for 2014, which measure the quality of drinking water as well as the state of affairs at SA's water-treatment plants.

THE UGLY

Struggling platinum miner Lonmin has warned shareholders that it may have to stop operations unless its proposal to raise $400m in equity, its third capital-raising in six years, is approved. The miner, which is cutting 6 000 jobs, placing two shafts on care and maintenance, is expected to announce impairments of up to $2.05bn, or R28bn, when it releases its financial results on 9 November. (Also see pages 13 and 30.)

It is what it is

For a rightly proud people, Nigerians seem to spend lots of time arguing about what they're not. Often people will ask me how it's possible that Singapore can be like Singapore, for instance, but that Nigeria can't replicate the order and prosperity of the Southeast Asian city state. The answer is usually that although both Singapore and Nigeria are former British colonies, this history shouldn't be used as a reason to explain all the unrest or political instability Nigeria has since experienced.

I am in Singapore this week, and while it's a city I admire and have huge affection for, I can't see how on earth you could transplant this model successfully to Africa's biggest economy. From the outside looking in, I know it seems Singapore has itself sorted, but it's always crucial to remember that the modest size of the place makes governing here closer to being mayor of London or New York than it does to being president of Nigeria.

> **Want to succeed in business in Singapore or Nigeria? Get with the family way of things. Want Nigeria to be more like Singapore? Forget it...**

To give an idea of the relative scales at play: the population of Singapore (5.5m) is roughly a quarter that of Lagos, the biggest city in Africa. Try imposing even one of Singapore's strict rules on a city where the only kind of successful government is incremental, realistic and slow, and people will laugh you out of town. It takes less time to get from one end of Singapore to the other than it does for many Lagosians to get to work in the morning.

Then there are the ways of doing business. Singapore is a city that works on screens, that deals in instruments too abstract for many people. Nigeria is an economy that thrives on the rough and tumble of physical markets, where people love to get stuck into supply and demand, where everything can be bought and sold and every man can be a millionaire if he can spot the margin. Stick Lagosians in an office and talk to them about delta hedging? You've lost all the hustle that makes the city great.

Then there's the atmosphere, the mindset: surveys occasionally show Singaporeans to be among the world's least happy people and Nigerians to be among the happiest – who would want change that seems to bring discontent?

For all this difference, there are occasional commonalities, running from the legislative (hefty car import tariffs, though Nigerians and Singaporeans respond to that challenge rather differently) to the gastronomic (no one will ever leave a Singaporean or Nigerian home underfed) and most importantly: the familial.

Nigerian and Singaporean society are both built on the family structure; the knowledge that every generation will be looked after by the generation preceding or succeeding. Admittedly, though, your average Nigerian family is a whole lot bigger than the regular Singaporean household.

Compared with the individualistic societies of, say, Western Europe, this is a huge success factor in both countries' favour. It means women can go out to work more easily, leaving young children with grandparents. It means family businesses thrive and grow more easily. It means older people don't erode their savings on retirement homes or healthcare.

Want to succeed in business in Singapore or Nigeria? Get with the family way of things. Want Nigeria to be more like Singapore? Forget it, it'll never happen and it'll never work, but instead recognise the ways in which they're already similar and already working, however hard you have to look. ■

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The Singapore skyline

Cheoh Wee Keat/Getty Images

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Licence disc can't be kept over e-toll debt – AA

The national department of transport's new requirements for vehicle licence disc renewals cannot be used to withhold a disc for outstanding e-toll fees, according to the Automobile Association (AA). The requirements, which came into effect on 1 November, include having to provide proof of residence when applying for a motor vehicle licence disc renewal.

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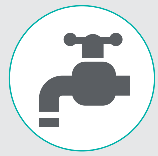

7 reasons why water crisis is far worse than Eskom

South Africa's water crisis could be far worse than problems at Eskom, according to a report by Nomura. The report highlighted seven reasons why the water crisis could escalate, including a "serious lack of technical skills in engineering", underinvestment in infrastructure, and a potential R1.2tr shortfall in spending over the next 20 years to address a continued increase in water supply needs.

"The water crisis is not so much about a system that is at every moment in a crisis or deficit, but about a system that has structural defects that are exposed by weather and 'unlucky' events such as technical problems," says Peter Attard Montalto, emerging markets economist at Nomura.

3/11/2015 13:39

PIC 'concerned' by MTN fine

SA's Public Investment Corporation (PIC) was concerned that MTN did not anticipate or take any steps to prevent being fined $5.2bn in Nigeria for failing to deregister cellphone subscribers. The PIC manages most of the assets held by the South African Government Employee Pension Fund (GEPF). The GEPF holds over 16% of MTN's shares. According to PIC CEO Daniel Matjila, it was in talks with MTN management and would "take all facts into consideration before deciding on its next steps".

3/11/2015 11:01

By Lameez Omarjee

Telematics a win-win for insurers and drivers

Telematics technology can change your driving behaviour and possibly your insurance premium. As more drivers opt to use this data-tracking mechanism, insurers have identified a profitable opportunity.

Telematics and vehicle tracking are changing the ratings of car-insurance premiums. In the US, 75% to 80% of insurers list telematics in their ratings to determine premiums. This is according to Gari Dhombo, managing director at financial services and insurance provider Alexander Forbes. Locally, with short-term insurers like Discovery Insure leading the industry, it is not a question of whether other short-term insurers will follow suit, but rather, when.

What is telematics?

A telematics device, fitted to a car, can provide drivers with a "real-time" view of their vehicle at any given time. This information is useful to give feedback on driving events and driving behaviour patterns essential for safety, fuel consumption management and to combat vehicle theft, according to Grant Fraser, product and marketing director at MiX Telematics Africa.

From a consumer perspective, personal safety is key. With crime in South Africa being a serious concern, more consumers are opting for tracking solutions as the technology significantly increases the probability of a stolen vehicle being recovered. On the other hand, insurers are using telematics to incentivise consumers to look after their vehicles and drive safer to reduce accidents related to road and weather conditions, the time of day, vehicle location and driver behaviour, says Fraser.

The data collected allows insurers to better assess claims and allows consumers to provide accurate information to insurers in the event of an accident. MiX Telematics works with a number of insurance companies by assisting in the claims process. Data collected can identify if the driver was at fault or protect the driver when an accident occurs as a result of factors beyond their control, explains Fraser.

"It [telematics] gives insurers the geolocation of where the vehicle is and assists in getting rid of fraudulent claims," Dhombo adds. Alexander Forbes plans to launch its own behavioural driving product by the end of November.

Although some drivers are averse to the idea of having tracking devices fitted to their cars, Dhombo says the plan is to incentivise consumers by incorporating telematics ratings with traditional ratings to set premiums and offer other rewards.

Anton Ossip
CEO of Discovery Insure

Gari Dhombo
Managing director at Alexander Forbes

Grant Fraser
Product and marketing director at MiX Telematics Africa

"[Telematics] gives insurers the geolocation of where the vehicle is and assists in getting rid of fraudulent claims."

Changing the behaviour of drivers

Discovery Insure has been making use of telematics since its launch in 2011. Drivers are encouraged to drive safer with a behavioural change programme that offers rewards for points earned. This includes reduced premiums, discounts for fuel, Uber and Gautrain rides, says Discovery Insure CEO Anton Ossip. In addition, drivers are offered advanced driving courses to improve their driving behaviour.

Discovery Insure's offering also comes with a mobile app to monitor driving behaviour. By incentivising better driving, it also creates a safer environment for others on the road. SA has a severe problem when it comes to road accidents, says Ossip. The 2013 WHO global status on road safety reported a rate of 31.9 road fatalities per 100 000 members of the South African population. In the US, this figure was down to 12.3. Dhombo also explains that if a vehicle is involved in an accident, the monitoring mechanism can detect this. The insurer is informed and can then dispatch the necessary assistance.

The future

Telematics could become a standard fitting with vehicles as it also provides motor manufacturers with information regarding road safety, says Dhombo. Telematics ratings will never completely replace traditional ratings measures such as age, gender, location and car brand – which remain key – he says. "All these factors will still count but will probably contribute far less than they do now."

The role of telematics extends beyond insurance and ensures the vehicle and its owner are "interconnected". By creating a "relationship" between the device and the person using it, the data generated by the person's use of the service should garner value, says Fraser.

"There is no doubt that it [telematics] aids the insurance sector in a very big way... but the need for telematics and tracking devices is far more than this," he explains. The introduction of this device is aimed at increasing personal safety, improving efficiencies and making changes to the way the vehicle is driven by analysing the data it generates. ■

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By Jana Jacobs

‘A lack of political will’ – student leader

#FeesMustFall rocked our nation and proved the power of SA’s youth. *finweek* interviewed outgoing Wits SRC president, Shaeera Kalla, to find out how the movement continues to march forward.

Shaeera Kalla, outgoing Wits SRC president, quotes Oliver Tambo when asked if she has advice for SA’s leaders: “The children of any nation are its future. A country, a movement, a person that does not value its youth and children does not deserve its future.” The nationwide protests certainly arrested SA’s attention. But what is the way forward?

***finweek:* Government has now committed to addressing the long-term issues and demands. Do you think they will or do you feel that the 2016 fee-freeze is a band aid?**

Shaeera Kalla: This addresses the symptom and not the problem. Until government adequately funds higher education, you will see that these protests become perpetual in nature; they already are at some campuses. TUT [Tshwane University of Technology], for example, protests annually, but because it is a historically black university and Wits is a historically white university, they are not taken seriously, which shows how university managements and government prioritise issues in a classist and racist way.

***fw:* With the 0% for 2016, how do you think the shortfall is going to be funded?**

SK: There are two ways: Firstly, government can use its R1.3tr budget more efficiently to free up the relatively small amount that this would require. Secondly, universities need to be more efficient and transparent with financial statements. Expenditure needs to be itemised and the auditor-general should perhaps audit state universities.

***fw:* Do you think that those calling for free education understand that it won’t happen overnight, or has patience been exhausted and do people want answers immediately?**

SK: In 1994 a commitment was made towards free and quality education. The problem is not financial resources, but rather a lack of political will. We want it now.

***fw:* Do you believe that the long-term commitments made by government and universities will be honoured? What is the level of trust at this point?**

SK: If the commitments are not made, we will go back and shut down the university. We have shown the power of active students and this should not be treated lightly or with disdain.

***fw:* Some think the goal of a 0% increase was reached and the matter is over. But it has been indicated that there are more issues that will be addressed. How would you encourage students to achieve both their academic goals and still ensure the movement stays strong?**

SK: Zero percent does not address any of the structural and systemic problems around how our university is run. It shifts all blame to the government, forgetting that universities run with almost complete autonomy and have failed dismally at ensuring [they] are accessible and empowering for the most marginalised in our society [...] As an SRC we encourage students to ‘Protest and Pass’ [...] At this point we must change tactics and restrategise after exams; we have managed to get the university to be lenient towards students who were a part of the protest and they have agreed to an extended exam period as well as no testing of new material.

Felix Dlangamandla/Foto24/Gallo Images/Getty Images

Shaeera Kalla (far right), former Wits SRC president, and other university leaders lead a protest over the increase of tuition fees on 19 October in Johannesburg.

> “Until government adequately funds higher education, you will see that these protests become perpetual in nature.”

Firstly, government can use its **R1.3tr** budget more efficiently to free up the relatively small amount required to fund the 2016 shortfall.

***fw:* UCT has committed to insourcing, with six outsourced services now becoming insourced. How is Wits measuring up?**

SK: The Wits management has been dragging its feet. They have committed in principle to insourcing – after 15 years of Workers Solidarity Protests by workers and students. Earlier this year, the vice-chancellor [Adam Habib] refused to acknowledge the existence of the Wits Workers Solidarity Committee (WWSC), which I have been a part of since my early years at Wits. Only now is he negotiating with the WWSC, because of public pressure [...] on October 6 a protest to specifically end outsourcing took place at Wits. We want – amongst a list of other demands that we have handed over to the university – the university to adopt the Workers Charter handed over at the 6 October protest; this still hasn’t been adopted and a task team has been set up to study how the university will insource.

***fw:* Wits was admired for the unity of its students. Has that changed as some reports would have the public believe? If so, how has this impacted the movement?**

SK: The movement remains about free and quality education, and the end of outsourcing on our campus. There have been disagreements about the tactics going forward but our strategic aims remain the same. ■

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By David McKay

CoAL's water worries

As Coal of Africa (CoAL) urgently awaits approval on a water-use licence for its Vele project in Limpopo, concerns about the firm's share price grow. Add the country's drought to the mix and things get somewhat sticky...

CoAL, a R1.1bn coal development firm, is sweating on government renewing its application for a water-use licence for the Vele – the controversial Limpopo colliery positioned a short drive from the Mapungubwe national heritage site.

David Brown, CEO of CoAL, said in the first half of this year that he expected its application would be viewed favourably before the end of the year. Realistically, he has about six-and-a-half weeks left if that deadline is to be met.

Shares in the company had staged an impressive turnaround, up some 68% this year-to-date. However, concerns over the thermal coal market, and the possibility that the asset closest to generating cash for CoAL, Vele, may be postponed are reflected in a 29% slide market value in the last 30 days.

Environmental permitting has been vexed for Vele since the beginning of its development more than five years ago. Lobbyists managed to have work on the site postponed for half a year and are now agitating the courts to have production from the mine, where plant re-engineering is underway, halted again.

What's not helpful is the noise created by the country's drought, the worst since 1992 (see sidebar). This, and the fact that coal markets may not be supportive of production from Vele are creating uncertainty for CoAL even though the firm's balance sheet problems have been largely solved.

David Brown
CEO of CoAL

Brown sold a slug of shares in CoAL to the Chinese company, Beijing Haohua Energy, raising $70m and has followed that up by selling shares in CoAL's underlying project, Makhado – also in Limpopo – to Singapore's Yishun Brightrise Investments for a total of $24m in cash and debt. Yishun also has the right to finance the $400m project and manage its construction.

There's also an attempt to block the environmental permitting for Makhado, although Brown said the company was confident it would have the court interdict against it set aside.

"CoAL does not anticipate that the process will affect Makhado's construction timetable," said Brown recently in CoAL's third-quarter operating results. "CoAL has engaged constructively with the department of water and sanitation and anticipates that we will be granted a licence in due course," he added.

"We are still pressing hard to get it as soon as possible but the main focus is on Makhado rather than Vele. Vele would not restart prior to July 2016 so while it is important, it's not vital," Brown said in response to *finweek*'s questions. He declined to comment on whether drier weather this summer might complicate the applications.

Makhado's 26-month construction phase is expected to begin in the second half of 2016 with 5.5m metric tons per year (MMt/y) of saleable hard coking and thermal coal due to be produced by the end of 2016.

Vele, which was due to be commissioned next year, is slated to produce 2.7MMt/y run-of-mine thermal and soft coking export coal. There are also plans afoot to increase the colliery's life of mine to 21 years from the current expected life of 16 years. Vele was mothballed around 2011 while critical upgrades of the plant to include production of thermal coal were assessed. ■

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COAL OF AFRICA LTD

52-week range:	R0.22 - R1.50
Price/earnings ratio:	-
1-year total return:	+14.29%
Market capitalisation:	R1.175bn
Earnings per share:	-
Dividend yield:	-
Average volume over 30 days:	95 204

SOURCE: Bloomberg.com

El Niño return bad news for SA

A report by Macquarie Research recently concluded that in the face of what is believed to be the third-most-potent El Niño weather system in history this summer (or winter, hemisphere depending), some 54% of 100 company shares analysed by the bank would be positively impacted.

Interestingly, some mining companies, such as First Quantum Minerals, could be positively affected as higher than normal rainfall in parts of Zambia, where it operates, could help recharge the Kariba dam, improving the hydro power situation in the country, where electricity shortages have hampered the economy.

Generally speaking, however, El Niño is expected to bring drier conditions to Southern Africa, as well as swathes of Australasia and Southeast Asia. Parts of South America, such as Argentina, are expected to become wetter.

In this context, there are some very specific outcomes. For instance, in Australia, insurance stocks do better owing to the higher likelihood of bush fires, which is the least costly type of insurance event compared to hail or earthquakes. The loss severity is therefore lower.

In SA, however, the threat of dry conditions to business focuses on agriculture and industry, particularly because of the significant amounts of water used by the country's mining businesses.

Water usage is increasingly becoming a hot potato in places such as the Waterberg in the Limpopo, as well as in the North West, where many of the platinum and chrome mines operate, and the iron ore mines of the Northern Cape.

According to Matthew Burnell, an attorney with Fasken Martineau, there is specific risk to mining companies because – in terms of the National Water Act – the department of water and sanitation (DWS) has the ability to restrict water usage even within the confines of an Integrated Water Use Licence, the permit all mining companies must own in order to mine.

Says Burnell: "In these instances, it is up to the [DWS] to make sure that water resources are not significantly compromised. It can do this by decreasing the water allocation permitted by water users.

"Although a water-use licence permits a water user to consume a certain quantity of water, the licence does not guarantee that that quantity of water will be available and generally permits the [DWS] to reduce the amount of water available to the water user."

Although this is "a worrying factor" for mining firms, Burnell believes it will encourage mining companies to seek out sustainable water use practices that would exert less strain on the system, lowering consumption costs.

By David McKay

Rights issue not a panacea for Lonmin's woes

In the face of depressed prices and significant oversupply, the platinum group metal (PGM) sector is going through a dark period. Lonmin plans to restructure its debt and is asking shareholders for a $400m bailout, but will this be enough to save the struggling miner?

Even if Lonmin gets shareholder approval for its $400m rights issue on 9 November, analysts believe the UK platinum company is not out of the woods, especially if PGM prices don't revive over the next two to three years.

Lonmin announced on 21 October that it intended to issue shares which, if successfully achieved, would open the door to a $370m refinancing of debt by banks – just enough to keep the company afloat while it set about cutting production to about 700 000 platinum ounces (oz) and reducing staff by 6 000 (also see page 30).

This announcement was followed up by a production update on 2 November in which Lonmin said it would impair its assets by up to $2.05bn. This is a move that, according to CIBC Capital Markets analyst, Leon Esterhuizen, is an indication that the rights issue is already "in the bag".

"I have a hunch this could become PIC Plats shortly," says Esterhuizen, referring to the possibility the state-owned Public Investment Corporation, currently a 9% shareholder in Lonmin, would underwrite a good part of the rights issue.

One of the questions being thrown up by Lonmin's impairment, however, is whether there are more write-downs to come from the South African platinum sector.

One market commentator says that as of end June (by which time many companies had reported interim or full-year figures), only Anglo American Platinum had a market value above the book-value of its assets. "Yet there were no write-downs despite there being an indicator of impairments," he adds.

The market commentator believes platinum miners had retained a belief that PGM prices would improve over the remainder of the year, even if only in rand-denominated terms. "If you add back another $200/oz to the platinum price, then maybe no write-downs would be required."

The PGM market in dollar terms continues to indicate, however, that there's significant oversupply.

Andrew Byrne, an analyst at Barclays Capital, says the announcement by Lonmin of a 50% plus write-down of its assets was "a major step in addressing the underlying issues, and hopefully will spur peers into making similar announcements through 2016 in order to allow an improvement assumption environment for decision-making over the next decade".

"Yes, there's much more to come from the rest still," says Esterhuizen of the likelihood of more write-downs. Commenting specifically on Lonmin, he added: "They have clearly adjusted to much more realistic prices, but their prices are still well above spot."

Lonmin stands at the centre of a debate that runs to the heart of the entire SA PGM sector: essentially, whether the sector is "investible"...

Analysts think that management of platinum-producing companies in particular have been too optimistic about the recovery of the PGM market with Barclays forecasting a surplus in the market through to 2020.

So with its write-down out of the way, and with a rights issue most likely to be under control, what does the future hold for Lonmin?

"I would hope management delineates a long-term – beyond three years – business profile since most of the remaining equity value in Lonmin would be based on long-term PGM prices, not today's," comments Marc Elliott, an analyst for Investec Securities.

According to Byrne, Lonmin stands at the centre of a debate that runs to the heart of the entire SA PGM sector: essentially, whether the sector is "investible" or if, in fact, some participants in the sector such as Lonmin, should be allowed to fail in order to revive the fortunes of the survivors.

"Despite announcing major cost-cutting and ore reserve harvesting plans, and capex deferrals, we calculate that without increases to the ZAR [rand] PGM basket, Lonmin will generate $231m of negative free cash flow over the next three years in a 'best-case scenario'," says Byrne. "More realistically, we expect the company to consume $575m and need to raise further capital in 2018 in order to remain solvent."

It's a view that has the support of Esterhuizen.

"Unless the metal price picks up a lot from here – and that has to happen within the next three years – Lonmin is back in the hole with a much bigger problem," he says. "The rights issue only keeps the lights on and management paid. There are very clear and deeply negative returns on this capital." ■

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"If you add back another **$200/oz** to the platinum price, then maybe no write-downs would be required."

market place

Don't miss: The *finweek Money Matters* show every Friday at 1PM on CNBC Africa, channel 410. In the show, we talk to experts about the next issue's top stories.

FUND IN FOCUS: BAOBAB BCI FLEXIBLE OPPORTUNITY FUND

By Jaco Visser

Solid performance, consistent returns

The fund invests predominantly in South African and offshore equities and holds about 5% local property stocks. It has a medium to high risk rating and, typically, an investment horizon of between three and five years. Since inception more than two years ago, the fund has outperformed its steep benchmark, yielding real returns for investors. The top 10 holdings comprises less than half the fund's value and is diversified between consumer, financial, technological and health stocks. The fund is managed by Anchor Capital.

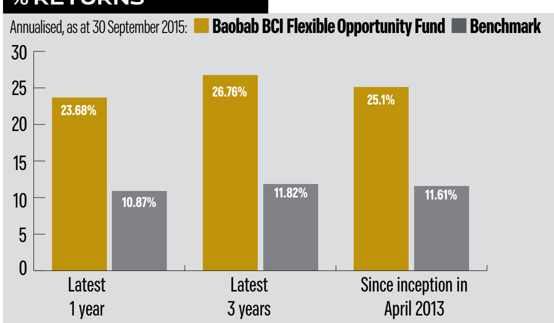
FUND INFORMATION

Benchmark:	**CPI + 6% per year**
Minimum lump sum/ subsequent investment:	**R10 000 lump sum or R500/month**
Fund manager:	**Darryl Hannington**
Total Expense Ratio (TER):	**1.9%**
Fund size:	**R406.5m**
Contact details:	**info@baobabcptl.co.za or 011 475 1981**

PORTFOLIO COMPOSITION

as at 31 August 2015:	% of fund
1 Brait SE	5.9%
2 Anchor Group	5.8%
3 Investec plc	4.8%
4 Naspers*	4.7%
5 Discovery Holdings	4.7%
6 Aspen Pharmacare Holdings	3.8%
7 Pinnacle Technology Holdings	3.8%
8 Steinhoff Investment Holdings	3.8%
9 Netcare	3.7%
10 MICROmega Holdings	3.5%
TOTAL:	**44.5%**

% RETURNS



Fund manager insights

The fund hasn't favoured South African companies recently, says Darryl Hannington, manager of the Baobab BCI Flexible Opportunity Fund.

He is, however, optimistic about the outlook for Brait SE, the fund's largest holding. The fund held Brait for its largest investment, namely Pepkor, he says. After Pepkor was sold to Steinhoff, the stock effectively became a cash sell, Hannington says, with a "good management team". Subsequently the fund started buying Brait aggressively, he explains.

This was done "on the back of what we believed was a very strong private-equity management team going to do good deals with the cash that they had", according to Hannington. "Subsequently we were proven correct. They [managed] fantastic deals, which the market has clearly loved, in Virgin Active and, more particularly, New Look."

> The fund invests predominantly in South African and offshore equities and holds about **5%** local property stocks.

The fact that Brait sold its remaining Steinhoff shares back to the latter boosted its cash holdings, giving it the opportunity for more deals in future, he said.

The fund has used its full offshore allowance and Hannington is banking on the strong American consumer for returns.

"The US consumer is in good shape," he says and adds that corporates in the world's largest economy are sitting on swollen balance sheets as they shy away from investing in new capacity.

Locally, the fund has steered clear of resource stocks as commodity prices plummeted on the back of a cooling Chinese economy. The fund has also avoided construction stocks whose earnings dropped, even as they are trading in the "high single digits" on price-earnings valuations, according to Hannington.

Why *finweek* would consider adding it

The fund is one of the top performers in its category, according to Morningstar Research SA's rankings. It consistently yields a real return, although it is still young.

The fund counts Brait SE, a solid investment holding vehicle, as its top share. It also banks on growing smaller stocks such as Pinnacle Holdings and investment company Anchor to drive returns. With about a quarter of its value invested offshore, the fund has a built-in hedge against rand weakness. With Naspers*, Steinhoff, Investec and Netcare as some of its top 10 holdings, the fund is exposed to growing consumer markets offshore as the local economy bites into domestic buyers' wallets. ■

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*finweek *is a publication of Media24, which is a subsidiary of Naspers.*

CALGRO M3*

BUY SELL HOLD

By Simon Brown

Solid foundation for 2016


The Pennyville development southwest of Johannesburg

With the recent listing of Balwin* and the fact that I now own shares in both these companies, people have been asking if I will sell Calgro as it is very similar to Balwin and is priced on a much higher valuation.

The answer is simple: I am not selling and will continue to hold Calgro. Here's why: Calgro operates in the lower LSM markets whereas Balwin is in the middle and upper markets. As such, Calgro is lower risk as most of its clients are using government grants.

Furthermore, 2016 is an election year and we typically see a ramp-up in low-income housing demand as government tries to look good for the voters. Over and above this, Calgro has built a lot of base infrastructure; while important, this isn't directly revenue generating. The next stage is the top structures (houses) and this is the profit.

So I expect a good 2016 from Calgro and continue to hold the stock. ■

*The writer owns shares in Calgro M3 and Balwin.

Last trade ideas

SELL	MTN
BUY	Balwin
BUY	Rolfes
SELL	Phumelela

MASSMART

BUY SELL HOLD

By Moxima Gama

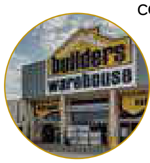
Fighting back

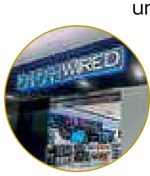
Wal-Mart Stores' announcement in November 2010 that it plans to acquire 51% of discount retailer Massmart, whose brands include Builders Warehouse, Game, Makro and DionWired, caused quite a stir.

Despite opposition from unions and three government departments, which feared that Wal-Mart's global supply chain would hurt Massmart's local suppliers, the deal was approved by the competition authorities. Strict conditions were imposed, including honouring existing collective bargaining agreements, and setting up a R100m fund to help develop local suppliers.

With much hype around the potentially massive synergies and growth prospects flowing from a Massmart/ Wal-Mart tie-up, the share price was driven to new highs, peaking at 20 800c/share in May 2013. It proceeded to lose nearly half of its value in the following nine months. The share price is currently trading at around 12 065c/share as investors have been losing patience with the retailer's lacklustre performance.

Its latest financial results, for the 26 weeks ended 28 June, show that while it managed to grow sales by 9.1%, headline earnings per share was down a massive 26% (124.2c), partly due to foreign exchange losses and an increase in interest payments.





While some segments, such as Builders Warehouse, have performed well, the group's food business has been struggling to win substantial market share. Analysts are also concerned that much of the business targets either low- and middle-income consumers who are under pressure due to the weak economic environment and rising job losses, or are dependent on discretionary spending.

One of its biggest hindrances is the lease exclusivity clauses held by rivals Pick n Pay, Shoprite and Spar, which prevent Game's fresh food division, FoodCo, from operating within the same shopping malls as them. But if the Competition Commission's inquiry into this tenancy arrangement in shopping malls is favourable, Massmart should gain further market share.

Massmart's share price has declined this year, making it the industry underperformer. However, it made a comeback in September, potentially signalling an aggressive interest. A move above 12 665c/share would end a near-term downward consolidation, and gains towards its 15 650c/share prior highs could follow. A tight stop loss must be maintained, particularly when Massmart reaches the 13 500c/share level. ■

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Strict conditions were imposed, including honouring existing collective bargaining agreements, and setting up a

R100m fund

to help develop local suppliers.

Last trade ideas

SELL	EOH Holdings
BUY	Adapt IT Holdings
BUY	Tsogo Sun Holdings
BUY	Brait SE

By Moxima Gama

THE FOSCHINI GROUP

Expanding the fashion footprint

With the launch of new brands to reach new market segments and the acquisition of UK fashion, the retail chain seems well-positioned to achieve its ambitious 2020 growth targets. Is it time to buy into management's growth story?

Despite increased competition from foreign clothing retailers – such as Spain-headquartered Zara, Australia's Cotton On and British clothing brand Top Shop – fashion retailer The Foschini Group (TFG) is up nearly 22% over the past year, outperforming the JSE's All-Share Index but lagging rival Truworths.

Following its acquisition of an 85% stake in UK fashion retailer Phase Eight for R2.6bn in January, TFG now has 2 724 outlets in 27 countries globally. It has also expanded into children's wear, opening its first Soda Bloc store in Cape Town in August. Other brands include clothing retailers Foschini, DonnaClaire, Exact and Markham; sportswear brands Totalsports, Sportscene and Duesouth; and jewellery brands American Swiss and Sterns.

Further expansion into the rest of Africa, where it currently owns 148 stores in seven countries, mainly Namibia, Botswana, Swaziland and Zambia, is a key focus area for TFG. The group plans to operate 375 stores in the rest of Africa by 2020. In the past financial year, it opened 29 new stores in the region, including five in Ghana.

Its entry into Nigeria, however, has been challenging due to a shortage of prime retail space. Congestion in ports and poor supply chain infrastructure, such as roads and warehouses, are also hindering faster store roll-outs.

Critics of TFG point out to the group's reliance on credit sales, which represent more than half of total sales for the group. TFG has seen a 9.4% increase in net bad debt to R1.02bn in the year to end March, a significant slowdown compared with the previous financial year, when bad debts jumped by nearly 40%.

Another downside, following the acquisition of Phase Eight, is the increase in its outstanding debt by about R3.6bn, with its debt-to-equity ratio increasing to 76.8% (56.6% excluding Phase Eight) at the end of March. The intention is to bring gearing closer to a medium-term target of 40%. TFG also retains the option to buy the remaining 15% in Phase Eight, which is currently owned by management.

The UK retailer, which targets women aged 35 to 55, has achieved sales growth at a compound annual growth rate of 18.2% over the past 10 years, totalling R2.88bn in the 2015 financial year. It is targeting 770 stores by 2020, up from the 444 at the end of March. It is also seeing potential in expanding its international footprint, with standalone stores already successfully trialled in Switzerland, Germany and Hong Kong, and growing its e-commerce offerings.

52-week range:	R144.01 - R151.15
Price/earnings ratio:	16.51
1-year total return:	+25.48%
Market capitalisation:	R31.59bn
Earnings per share:	R8.98
Dividend yield:	3.97%
Average volume over 30 days:	857 861

SOURCE: Bloomberg.com

THE FOSCHINI GROUP (DAILY CHART)

SOURCE: MetaStock Pro (Reuters)

What next?

Possible scenario: TFG has been consolidating in the form of a symmetrical triangle since August. It has recently bounced on the lower slope of the pattern and could be headed towards the upper slope. A positive breakout would be confirmed above 15 070c/share, with the short-term upside target situated at 17 325c/share.

Alternative scenario: A negative breakout of the pattern would be signalled below 13 670c/share, and the downside target would be at 11 415c/share. ■

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Moxima Gama has been rated as one of the top five technical analysts in South Africa and outperformed the market during the recent recession. She has been a technical analyst for 10 years, working for BJM, Noah Financial Innovation and for Standard Bank as part of the Research Team in the Treasury Division of CIB.

By Simon Brown

Simon's stock tips

Founder and director of investment website JustOneLap.com, Simon Brown is *finweek*'s resident expert on the stock markets. In this column, he provides insight into the week's main market news.

DROUGHT

Food producers hardest hit

South Africa is experiencing a serious drought and unless we get some heavy rains soon it's only going to get worse. The impact of this is going to be felt by a number of listed companies, most obviously those that have maize as an input. In this case, food producers are involved – especially those in the bread and poultry sectors. On the chicken side, Astral won't suffer as much because it also sells chicken feed, which will make margins, but it won't offset the cost increases on the chicken production side. One option for the poultry companies is to slaughter a few days earlier to save on feed costs, but this reduces bird size so while it may help, it doesn't solve the problem. Others that will be hit are the food retailers. What we often see in this case is that retailers absorb some of the upward price pressure and by doing so they reduce their margins. So retailers will be hurt a bit, but food producers will suffer the most, as maize is a significant input in their businesses.

GLENCORE

A useful list

Glencore has published what it calls "material dates for investors for 2016". I like this very much – in short, we have been given the dates for next year when we can expect production updates, results, AGMs and the like. Very handy.

NEW LISTINGS

Not everyone can hit the jackpot

After the huge success of the Sygnia listing, two other listings really haven't performed. Trellidor has been trading around the R6 listing price and looks set to move lower, while Balwin* is at a listing price of R9.88. I got Balwin at the listing of R9.88 so am slightly underwater and disappointed. That said, I continue to hold the stock as I do like the company and expect good results over the next couple of years.

LISTING BOOM

Nothing's set in stone

With the current listing boom we're seeing many comments that this is a classic market-top indication and that is true. Bear markets are pretty much always preceded by a glut of new listings, but what's important is to understand the timeline. This listing boom could continue for another year or more, or we could be moving into bear territory as you read this. This is not a linear process – a listing boom may not immediately be followed by a bear market. The listing boom is just another signal that markets are generally expensive. As always, my advice remains to hold onto quality stocks and use these warning signals to exit the lower quality holdings you may have.

KUMBA IRON ORE

No reprieve in sight

Kumba shares continue to slide on the JSE. After an all-time high of over R600 in early 2013, the miner is now trading 90% lower at under R60 at the time of writing. In time the company's fortunes will turn and while some are suggesting that the miner may go bust, I think that is unlikely. However, with iron ore prices continuing to fall and expected prices at under \$50 a ton for 2016 and 2017, the tough times are here to stay for a while. For the half-year to June, it made headline earnings per share (HEPS) of R7.85 and if Kumba can do that again in the second half, then there will be no dividend. But it does put the stock on a price-to-earnings ratio (P/E) of around 4 times. Even a drop in HEPS would see a P/E of maybe 6 times. This is seemingly very cheap, but with a very tough couple of years still ahead I would not be rushing in to buy the stock. Iron ore production is still being increased globally while demand remains very weak. If the price goes below \$40 a ton, things will start to get very messy at Kumba. ■

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*The writer owns shares in Balwin.

With a very tough couple of years still ahead I would not be rushing in to buy the stock. Iron ore production is still being increased globally while demand remains very weak. If the price goes below

\$40

a ton, things will start to get very messy at Kumba.

By Simon Brown

COMPANY MANAGEMENT

Separating the zeroes from the heroes

When investing in a stock, it is vital to ensure that the company's management is doing its job properly and in an ethical manner. This week, *finweek* gives you some tips on how to gauge a management team's performance.

Last week I wrote how I had sold my MTN shares after the company allowed price-sensitive information (the $5.2bn Nigerian fine, amounting to about R71.3bn) to be in the public domain for hours before issuing a Sens announcement. In this case I saw the story on Twitter early on the morning of 26 October, a Monday, and the originating article had been online since Sunday afternoon. Yet MTN only issued a Sens after 2pm on Monday.

Many have accused me of responding in a knee-jerk way while others say it was an emotional response. They may be right, but I have a simple rule: I want to own outstanding companies and as a matter of course they must have outstanding management that always acts ethically. Issuing a Sens announcement five hours after the market opened is neither outstanding nor ethical.

To my mind, selling MTN was an easy decision, but spotting less-than-outstanding management is usually much harder. Profits may be growing and the company seems to be doing well, which certainly points to competent management. But it does not indicate outstanding management.

So I have a few tricks I use to check the quality of management:

Firstly, I will go back five years and read every CEO or chairperson commentary from the company's results and annual reports. In this case I will especially look at their comments about the period ahead. What are they expecting, what challenges and what successes? Then as you continue to read forward you see if they were largely correct in their assessment. They are never going to be 100% spot on. But do they have an understanding of what will happen in the company's immediate future and do they have a good plan for dealing with it? An outstanding management team should have at least five years of operations mapped out, so the challenges for the next year should be pretty much known to them. Those companies that communicate frankly with shareholders about the challenges, and are mostly right about them, show signs of outstanding management.

To my mind, selling MTN was an easy decision, but spotting less-than-outstanding management is usually much harder.

When evaluating a company's management, something else to look out for is unexpected problems that negatively impact profit but seem to crop up constantly. Examples would be currency loss, inventory issues, insurance problems, major theft or even fires at the plant/offices. In short, a litany of issues that always seem to bedevil the company and hit profits. This is not bad luck – it shows a lack of outstanding management.

Lastly are deals that are simply just dodgy. A few years back, a listed company reported a property deal a year after the event. In this deal, the company had bought properties for its operations, except every property had been bought from one of the directors. Why the year-long wait? Management then went on to say that it didn't know the company had to issue a Sens announcement. Aside from that being nonsense, it was suspect that some six properties were bought across the country and every one from a director! Make no mistake, the company identified the properties, the directors then bought them, added a markup and sold them to the company.

I sold the stock immediately and it then proceeded to increase in value some five-fold over the next few years before collapsing to a third of my exit price. This is important: just because a company has less-than-outstanding management doesn't mean the stock can't move higher. However, it does put the long-term sustainability of the stock's rise at risk and, more importantly, I don't want second-rate managers or crooks running the companies I own, regardless of whether they make money or not.

A final and important point: know what matters to you and your investments and stick to your guns. Investing is not only about profits; it is also about doing it ethically. ■

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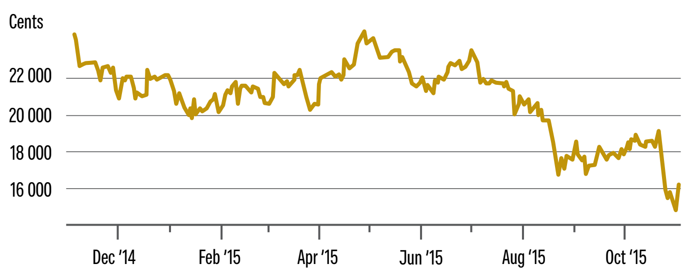
52-week range:	R142.50 -R250
Price/earnings ratio:	11.16
1-year total return:	-28.71%
Market capitalisation:	R300.9bn
Earnings per share:	R14.61
Dividend yield:	7.85%
Average volume over 30 days:	9 321 724

SOURCE: Bloomberg.com

MTN



SOURCE: Bloomberg.com

Gallo Images/iStock

By Craig Gradidge

STANLIB

The perfect tax-free savings account?

This year, there was a great deal of excitement among retail investors with the launch of tax-free savings accounts in the market. *finweek* looks at the advantages of one such savings account.

When tax-free savings accounts (TFSAs) were launched by government earlier this year, there was a flurry of activity in the market, with the banks and certain life insurers bringing their products to market quite quickly. These were launched as part of government's ongoing reforms in the financial services sector, with the aim of incentivising more people to save for their future. It remains our firm belief that a bank TFSA product is not a worthwhile investment for anyone with an investment horizon longer than three years. TFSAs have a natural long-term horizon associated with them as there are contribution limits and a lifetime limit associated with them. In order to get the maximum benefit from this product, investors will have to be invested for the long term (at least 10 years).

Choosing the right product

We were also cautious not to simply offer these initial products to our clients. Investors have until February 2016 to decide what product to choose in order to use this year's contribution allowance.

Our main concern was that an incorrect choice of product could result in investors changing products, thereby losing out in terms of their lifetime contribution limit.

For example, if an investor invested R10 000 into a bank TFSA product, and subsequently moved those funds to a more suitable growth-orientated product, it would be counted as a R20 000 contribution for the current tax year.

One could combine an active manager like Prudential with a passive manager like Satrix and get a moderate risk portfolio at a total cost of less than

0.4%

per annum.

An ideal TFSA is one that is well priced and offers clients access to a wide range of funds, which allows them to implement a suitable strategy over time. We were pleased when Stanlib announced the launch of its linked investment TFSA product. The product is costed at an admin fee of 0.2% per annum plus VAT. The product also allows the investor access to a wide range of funds from top asset managers, including Coronation, Foord, Prudential, Satrix and Investec in addition to Stanlib's own range of funds.

Bigger option

An important feature of the Stanlib product is that it allows investors to combine active and passive investments in their portfolio to help mitigate asset management fees. One could combine an active manager like Prudential with a passive manager like Satrix and get a moderate risk portfolio at a total cost of less than 0.4% per annum. Many of the existing product offerings force investors to choose between active and passive management, which is not ideal.

Unlike many others, the Stanlib product does not offer preferential pricing for the use of internal funds. This is an important feature as the product is not complicated by differentiated pricing strategies. Investors are then able to hold their manager accountable without worrying about cost implications.

In order to get the maximum benefit from this product, investors will have to be invested for the long term (at least 10 years).

There is also a broad enough range of funds available for investors with differing risk profiles. So a very conservative investor would be able to access cash as well as enhanced cash funds, which have delivered better than cash returns with minimal additional risk. High-risk investors, on the other hand, can access offshore index trackers in addition to other asset classes such as equities and listed property.

Broadly accessible

Stanlib's product is also more broadly accessible as the minimum monthly investment is R500 and the minimum lump sum is R10 000. Given that the group of people who will benefit the most from TFSA investments is investors below the age of 30, the lower minimum is a significant positive for the Stanlib product.

In the final analysis, the Stanlib-linked investments tax-free savings plan ticks all the right boxes from the perspective of a long-term investor who is serious about taking advantage of the considerable benefits TFSAs offer. The market is waiting to see what industry gorillas Allan Gray and Coronation bring to the market, if and when they launch a TFSA, but the bar has been set very high. ■

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Craig Gradidge is a co-founder of Gradidge-Mahura Investments.

By Schalk Louw

EXCHANGE-TRADED FUNDS

Three offshore ETFs to consider

Offshore investment is no longer the risky business it used to be and when considering your options, ETFs cannot be ignored. To pique your interest, here are three that are in the top 100.

Investors have a tendency to choose sides when it comes to the investment world and in many cases, simply out of greed, also then tend to make the wrong investment choices. Globally, investors have thousands of funds to choose from, each with its own colourful brochure arguing why it's likely to outperform this stock market or that benchmark.

The reality, however, is that only a few of them actually manage to outperform underlying indexes consistently. By using our Domestic General Equity Unit Trust sector's performance over the past 12 months as an example – most of which use the FTSE/JSE All-Share Index as a benchmark – like many other years, only 30% of all the funds in this sector managed to outperform this index in the last year (up to 26 October).

I don't want to take up the debate between active versus passive management again. In fact, I would like to move away from local investments completely this week and rather turn readers' attentions towards offshore ETFs and more importantly, to alternative investment options.

I've mentioned before that offshore investment isn't nearly as dangerous or arduous a task as it used to be. An individual may invest up to R1m on a one-off basis, without tax clearance, or up to R10m per calendar year with Sars tax clearance. The opening and management of offshore equity – and ETF portfolios – has been simplified to such an extent that it certainly can't be ignored as an investment option any longer.

ETFs are highly tradable funds listed on the stock exchange with the goal of yielding 100% of the returns of a specific index, such as the MSCI World Index, for example. As with shares, these ETFs can be bought or sold on any global exchange. With such an abundance of options available, however, I will only discuss three of these funds this week.

As passive as ETFs may sound, it has become the fastest growing investment field worldwide, definitely making it an investment option worth considering in your portfolio. ■

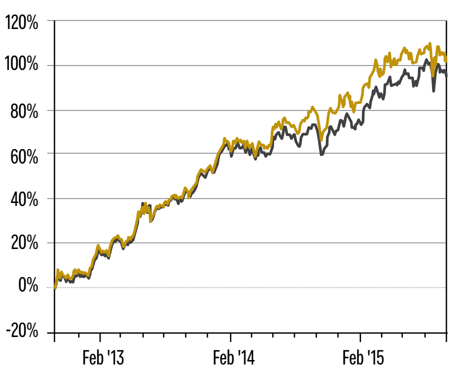
editorial@finweek.co.za

Schalk Louw is a portfolio manager at PSG Wealth.

THE MAIN CRITERION FOR CHOOSING THESE FUNDS IS THAT THEY HAD TO BE INCLUDED IN THE TOP 100 ETF FUNDS:

ISHARES MSCI ALL-COUNTRY WORLD INDEX FUND

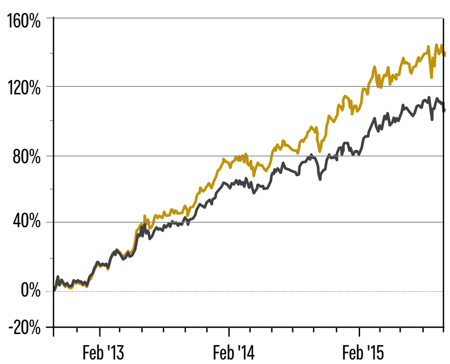
For those looking for an investment that primarily represents shares around the world, this ETF certainly deserves consideration. At 0.33% per year, this ETF's total expense ratio (TER) only amounts to a fraction of what you would have to pay for a similar actively-managed fund. In the year to end September, this ETF has grown by 13.4% in rand terms, versus locally managed offshore funds' average of 12.7%; it offered a three-year growth of 102.5% versus 95.6%



■ iShares MSCI All-Country World Index
■ Global General Equity sector

VANGUARD TOTAL STOCK MARKET ETF

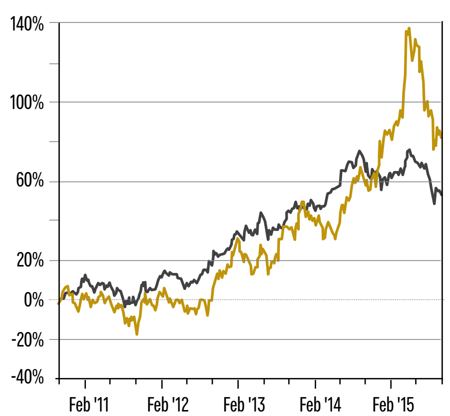
This ETF consists of roughly 4 000 listed companies in the USA, therefore giving you excellent exposure to the largest economy in the world. A TER of only 0.05% per year makes it one of the cheapest investments globally. Growth in the year to end September amounted to 22.7%, versus locally managed offshore USA funds' average of 14.95% (both percentages calculated in rand terms) and a three-year growth offering of 140.3% versus 106.2%.



■ Vanguard Total Stock Market ETF
■ USA All-Share Index sector

ISHARES CHINA LARGE-CAP ETF

This ETF can be considered by those who would like to buy into the strongest growing major global economy, and who also feel that the Chinese market decline is somewhat exaggerated. This ETF gives investors exposure to the largest Chinese companies and has a historical TER of 0.74%.



■ iShares China Large-Cap ETF
■ Global All-Share Index sector

SOURCE: Financial Express

By Lucas de Lange

PICKING WINNERS

Nampak sticks out like a sore thumb

Investors have apparently used the earlier weakness on the JSE as a buying opportunity. To support this, the share prices of most of the 100 largest companies on the exchange are now once again lying above their 200-day exponential moving averages.

Most of the top 100 companies on the JSE are once again lying above their 200-day exponential moving averages (EMAs) after most of them – 54% – found themselves below their EMAs last month for the first time in quite some time (*finweek*, 15 October). Some 55% of the top 100 are once again in positive territory, which indicates that investors used the market's pullback to buy more shares.

Of the strongest shares, PSG Group is head and shoulders above the rest, followed by its offshoot, Capitec, despite analysts' fears regarding the unusual phenomenon that it's trading at a substantial premium to the valuation of its underlying investments.

Corporate action is the reason why SABMiller and Aquarius fill the third and fourth places respectively. An interesting fact, evident from the table of the strongest shares, is that the longstanding stepchild among the major shares, Sappi, is still experiencing firm buying pressure; to such an extent that not only did it reach a new high, but in fact its highest level since 2009. There's much truth in the belief that once a heavyweight has started reaching new highs, it will continue doing so because large investors have decided on a rerating.

Among the weakest shares, commodity stocks are still suffering the most. Lonmin, Kumba and ArcelorMittal are all three lying 50% or more below their EMAs. In fact, with one exception, the 12 weakest of the weak were resources shares. The exception, which sticks out like a sore thumb, is Nampak, Africa's largest diversified packaging group, which is being heavily punished because of its disappointing results for the six months to March. It's at levels last seen in 2012 and judging by the consistently new lows reached, large investors did not hold out much hope that matters would improve in the half-year to end September. Nampak is facing a number of major problems, such as its glass division, which suffered a loss of R70m. And then there is talk of a price war with Consol, the country's largest supplier of glassware. A positive is that the rest of Africa's contribution to Nampak's profits is growing well. In the half-year to March, it contributed 38% (2014 half-year: 27%) to trading profit.

Another share that has been heavily punished –landing up among the resources and building and construction stepchildren – is MTN. It finds itself in this position because of the enormous fine it has to pay in Nigeria, while the market is also averse to the fact that the JSE wants to investigate it.

Among the shares that have broken out and appear interesting, Adcock Ingram, Vukile and Rebosis seem to be the most promising. ■

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STRONGEST SHARES*

COMPANY	% ABOVE 200-DAY EXPONENTIAL MA
PSG	40.3
CAPITEC	27.9
SABMILLER	25.5
AQUARIUS	24.96
KAP	24.9
BLUETEL	23.5
SAPPI	21.7
MONDI PLC	20.1
HOLDSPORT	19.2
RESILIENT	19.1
BAT	16.9
NASPERS-N	16.6
DISCOVERY	15.9
WBHO	15.2
RICHEMONT	14.8
STEINHOFF	13.2
CLICKS	13.2
PICK N PAY	12.9
OLD MUTUAL	12.6
BIDVEST	11.8
MEDICLINIC	11.55
SIBANYE	11.2
CAPITAL PROPERTY FUND	10.3
TRUWORTHS	10
WOOLIES	9.99
TELKOM	9.9
DISTELL	9.9
MPACT	9.7
PIONEER FOODS	9.4
SPAR	9.2
A-V-I	8.9
VODACOM	8.5
REMGRO	7.99
CITY LODGE	7.3
SA CORP REAL ESTATE	7.2
HYPROP	7.2
NEPI	7.1

Some

55%

of the top 100 are once again in positive territory, which indicates that investors used the market's pullback to buy more shares.

BREAKING THROUGH

COMPANY	% ABOVE 200-DAY EXPONENTIAL MA
REUNERT	5.8
OCEANA	5.8
VUKILE	4.3
NETCARE	3.5
ADCOCK INGRAM	2.8
PAN AFRICAN	2.78
REBOSIS	1.9

WEAKEST SHARES*

COMPANY	% BELOW 200-DAY EXPONENTIAL MA
LONMIN	-66.3
KUMBA IRON ORE	-56.9
ARCELORMITTAL	-50
GLENCORE	-39.9
ARM	-38.5
HARMONY	-37.3
RB PLATINUM	-32.6
NAMPAK	-32.4
IMPLATS	-32.3
ANGLO AMERICAN	-31.7
ASSORE	-29.96
EXXARO	-29.5
M&R HOLDINGS	-26.1
MTN GROUP	-22.3
AMPLATS	-19
NORTHAM	-18.5
PPC	-18.2
LEWIS	-16.8
SUN INTERNATIONAL	-13.7
MASSMART	-13.5
GOLD FIELDS	-12.2
BARLOWORLD	-11.6
CORONATION	-11.5
MMI HOLDINGS	-11.3
ASPEN	-10.8
SHOPRITE	-10
BHP BILLITON	-8.9
TONGAAT	-8.4
DATATEC	-7.9
GRINDROD	-7.3
ILLOVO	-7.2
SANLAM	-6.2

*Based on 100 largest market caps

Image: www.isis-innovation.com

DIRECTORS DEALINGS

COMPANY	DIRECTOR	TRANS. DATE	TRANSACTION TYPE	VOLUME	PRICE (C)	VALUE (R)	DATE MODIFIED
ANCHOR	PG Armitage	29 October	Sell	308,533	1450	4,473,728	30 October
ANCHOR	TE Kaplan	29 October	Sell	77,133	1450	1,118,428	30 October
CITYLDG	C Ross	28 October	Sell	5,371	15003	805,811	3 November
CLICKS	DM Nurek	27 October	Sell	18,000	10283	1,850,940	30 October
DELPROP	PD Simpson	30 October	Purchase	50,000	839	419,500	3 November
DISTELL	VC de Vries	28 October	Purchase	1,672	9335	156,081	30 October
DISTELL	CLC Snyman	28 October	Sell	1,687	17499	295,208	30 October
HULAMIN	F Bradford	23 October	Sell	35,874	712	255,422	30 October
HULAMIN	F Bradford	22 October	Sell	51,191	705	360,896	30 October
HULAMIN	W Fitchat	25 October	Sell	4,813	705	33,931	30 October
HULAMIN	W Fitchat	22 October	Sell	7,722	705	54,440	30 October
HULAMIN	MZ Mkhize	23 October	Sell	51,515	717	369,362	30 October
HULAMIN	MZ Mkhize	30 October	Purchase	35,126	716	251,502	30 October
IMPERIAL	MV Moosa	3 November	Purchase	8,126	2100	170,646	4 November
IMPERIAL	M Swanepoel	29 October	Sell	4,050	18000	729,000	3 November
MONEYWEB	MJ Ashton	26 October	Purchase	7,500	38	2,850	30 October
RESILIENT	JJ Kriek	27 October	Sell	205,375	12201	25,057,803	30 October
SANTAM	MJ Reyneke	28 October	Sell	15,000	21977	3,296,550	3 November
SHOPRITE	CH Wiese	27 October	Purchase	13,400	14869	1,992,446	30 October
SHOPRITE	CH Wiese	28 October	Purchase	13,600	14756	2,006,816	30 October
TASTE	DJ Crosson	27 October	Sell	105,771	16	16,923	30 October
TASTE	DJ Crosson	28 October	Sell	277,242	15	41,586	30 October
TASTE	DJ Crosson	23 October	Exercise Options	103,219	340	350,944	30 October

BEST AND WORST PERFORMING SHARES

SHARE	WEEK PRICE (c)	CHANGE (%)
BEST	650	172
Beige	2	100.00
Hwange	49	88.46
Oando	85	19.72
BSi Steel	45	18.42
Rare Holdings	260	18.18
WORST		
Masonite	2453	-28.88
Transhex	225	-21.60
Chrometco	11	-21.43
Sable Metals	24	-17.24
Wearne	12	-14.29

INDICES

INDEX	WEEK VALUE	CHANGE* (%)
JSE ALL SHARE	54 076.06	0.60
JSE FINANCIAL 15	16 990.32	-0.25
JSE INDUSTRIAL 25	73 077.51	1.27
JSE RESOURCE 10	33 618.28	-1.47
JSE SA LISTED PROPERTY	660.26	-0.99
JSE TOP 40	48 548.20	0.75
CAC 40	493 618	0.93
DAXX	1 095 067	2.42
FTSE 100	638 361	-0.84
HANG SENG	2 256 843	-1.69
NASDAQ COMPOSITE	514 512	0.97
NIKKEI 225	1 868 324	-1.16
S&P 500	210 979	0.93

*Percentage reflects the week-on-week change.

P/E RANKING

SHARE	FORECAST
BASIL READ	4.33
KUMBA	4.68
MERAFE	5.46
AVENG	5.71
M&R HOLDINGS	6.06
LEWIS	6.38
RAUBEX	7.15
OCTODEC	7.63
ASTRAL	8.90
EXXARO	8.92

EPS RANKING

SHARE	F'CAST (C)	F'CAST AS %*
NASPERS-N-	4,367	2.1
BAT	4,139	4.8
SASOL	3,955	8.6
SABMILLER	2,952	3.6
CAPITEC	2,688	4.5
NEDBANK	2,265	9.9
BIDVEST	2,100	5.8
MONDI LTD	1,947	9.2
ASTRAL	1,900	11.3
TIGER BRANDS	1,770	5.6

*Forecast EPS as a percentage of current share price

DIVIDEND RANKING

SHARE	F'CAST DPS (C)	F'CAST DY (%)
DRDGOLD	37	16.3
REBOSIS	119	10.1
ANGLO	1058	9.0
MTN GROUP	1345	8.7
LEWIS	517	8.2
ACCPROP	54	8.1
FORTRESSA	129	8.0
EMIRA	146	7.9
VUKILE	148	7.8
OCTODEC	192	7.5

Johan Enslin
Chief Executive Officer and executive director of Lewis Group

All data as at 4 November at 17:00. Supplied by INET BFA.

HOW TO FIX SA

By Ciaran Ryan

With SA's official unemployment rate increasing to 25.5% in the third quarter, the International Monetary Fund cutting its growth forecast to 1.4% this year and just 1.3% in 2016, and business confidence at its lowest levels in 22 years, there is much work to be done. *finweek* asked a number of experts across the economic spectrum what they would do to fix SA.

“We need to relax some aspects of the Labour Relations Act”

Herman Mashaba

Chairman of the Free Market Foundation, CEO and founder of Leswikeng Minerals & Energy, and founder of cosmetics firm Black Like Me

Doing business in SA

RANKING **OUT OF 189** COUNTRIES

Starting a business ▶**120**

Dealing with construction permits ▶ **90**

Getting electricity ▶**168**

Registering property ▶ **101**

Getting credit ▶ **59**

Protecting minority investors ▶ **14**

Paying taxes ▶ **20**

Trading across borders ▶**130**

Enforcing contracts ▶ **119**

Resolving insolvency ▶ **41**

SOURCE: World Bank's *Doing Business 2016* report

1 What are the top three policy issues that are depressing SA's growth rate?

- Section 32 of the Labour Relations Act (LRA). The section allows the minister of labour to extend collective agreements concluded by bargaining councils in a sector to businesses that are not party to the agreement, and which many believe violates freedom of association rights enshrined in the constitution.
- All race-based legislation.
- There is too much government involvement in the economy. We should substantially reduce state-owned enterprises (SOEs) and their influence on the economy.

2 What are the positives? Can we strengthen and improve on these?

SA has a developed and modern infrastructure that can easily be exploited to improve and steer our economy to the next level, also not ignoring our level of business standing.

3 What can we do in the short term to boost growth?

Removing race-based legislation will immediately allow all South Africans to play meaningful roles in the economy, providing employment to millions. We also need to relax some aspects of the LRA, which currently makes it difficult for small businesses to operate.

4 SA has slid a further four places to 73 out of 189 countries in the World Bank's latest *Doing Business* report. Do you agree that SA is slipping, and if so, how would you fix it?

I fully agree that our country is gradually slipping. Our current rating tells it all. We need less government involvement in driving economic growth. Small business development should be SA's priority in stimulating economic activity.

5 What would your strategy be to address the need for transformation and empowerment, while ensuring an attractive business environment for investors?

When all in SA are treated equally, our economic growth should be performing at least at 5% per annum, allowing government to collect more taxes that can be invested in education. Proper investment in education should be our priority in sustainable transformation. When our economy grows at least at 5%, we are not going to have enough white people to fill all senior positions. Sustainable transformation and empowerment will automatically happen when we focus our energies on growth of the economy.

"Recognition of the need to sustain the constitution is surprisingly robust"

Stephen Meintjes

Analyst at Momentum SP Reid and co-author of *Our Land Our Rent Our Jobs*

We are missing a great opportunity to address the land issue once and for all via collection of land rentals and instead we are relying on a Eurocentric model of taxation.

1 What are the top three policy issues that are depressing SA's growth rate?

Land, tax and state intervention: we are missing a great opportunity to address the land issue once and for all via collection of land rentals and instead we are relying on a Eurocentric model of taxation and a misunderstanding of Chinese-style state intervention.

China has emerged from total communism, but allowed private enterprise to flourish [...] without, for example, imposing minimum wages. This misunderstanding is leading to a downward cycle of weakening economic growth in SA, strengthening the belief of those who favour state intervention and increased taxation, à la Thomas Piketty, author of best-selling book *Capital in the Twenty-First Century.*

His calculations on capital returns do not accurately reflect the extent to which the returns on capital include rent on land. His analysis is therefore flawed in as much as it does not reveal the extent to which "capital" grew faster than GDP due to uncollected rent.

2 What are the positives? Can we strengthen and improve on these?

Recognition of the need to sustain the constitution is surprisingly robust despite the onslaught of special interests to the contrary. We also have a world-class financial and corporate sector and entrepreneurial potential at all levels. To enable the government to get out of the way of unleashing this, we need fundamental tax reform.

3 What can we do in the short term to boost growth?

Roll out the gold mines tax formula to the rest of the mining industry (the gold mines tax formula has been in place for many decades, and provides that smaller mines with operating margins of less than 10% pay no company tax, whereas richer mines with operating margins in excess of 50% would pay company tax at 40.5%), restore site value rating in urban areas (as used to happen in SA prior to the introduction of the Local Government Municipal Rates Act of 2004), and then increase rates and reduce VAT and, later, other taxes.

4 SA has slid a further four places to 73 out of 189 countries in the World Bank's latest *Doing Business* report. Do you agree that SA is slipping, and if so, how would you fix it?

Shifting from taxation to land and other natural resources collection would lead to upside surprise in economic growth, reducing the perceived need for increasing state intervention.

5 What would your strategy be to address the need for transformation and empowerment, while ensuring an attractive business environment for investors?

Recognise that there are limits to the extent to which public sector tenders can create enough "black industrialists" and go for thousands instead of hundreds (of empowered individuals) by creating a massively incentivising environment for economic activity in rural as well as urban areas.

ECONOMIC OUTLOOK

INDICATOR	2014	2015	2016	2017
Real GDP (Y-o-Y %)	1.5	1.5	1.8	2.4
CPI (Y-o-Y %)	6.1	4.8	6.1	5.8
Unemployment (%)	25.1	25.3	25.2	25.6
Current account (% of GDP)	-5.1	-4.4	-4.6	-4.6
Budget (% of GDP)	-4.7	-3.9	-3.4	-3.1
$/R exchange rate	11.57	14	13.72	13.06

SOURCES: Bloomberg, Investment Solutions

"We appear continuously to score own goals"

Andrew Dittberner

Chief investment officer at Cannon Asset Managers

1 What are the top three policy issues that are depressing SA's growth rate?
Labour unions are dictating government's labour policy, which is increasingly business unfriendly. The net result is a loss of jobs and reduced profitability, having material downstream effects. This leads directly to the second policy that holds South Africa back, and that is BEE policy. After 20 years of democracy, SA should be further down the transformation road. However, proper thought has not been applied in terms of how transformation should be undertaken and this has materially impacted on the country's ability to grow. Finally, whether it is a policy issue or not, the lack of competition that Eskom faces allows it to hold SA hostage to its inability to provide the necessary power.

2 What are the positives? Can we strengthen and improve on these?
One of the country's key positives is our geographic location. SA belongs to one of the fastest-growing regions in the world, yet we appear continuously to score own goals. Removing unnecessary policies such as the recent visa restrictions, which prevent South Africa from doing business in the region, can only be beneficial.

SA is the home, or birthplace, of some of the world's largest and most recognised businesses. SABMiller (recently the target of a takeover bid), Naspers*, Anglo American and BHP Billiton, to name a few, give one insight into the intellectual capacity of the country, along with the sound corporate governance principles that we follow and the opportunities and potential that exist.

The burgeoning middle class is another positive. It is this growing middle class that is going to carry our democratic society forward. Over the past 20 years at least 3m South Africans have joined this middle class. This number continues to grow today.

3 What can we do in the short term to boost growth?
A number of short-term solutions are readily available. First, the roll-out of the much-talked-about infrastructure spend. Many infrastructure projects can start reasonably quickly, while being funded out of current budgets, and have material spill-over effects. While the infrastructure spend will create jobs immediately, once completed the infrastructure remains, improving South Africa's global competitiveness.

Another quick fix would involve selling off underperforming state-owned enterprises such as SAA and Eskom. This would free up much-needed capital that could be directed elsewhere. Finally, improving the relationship and cooperation between the private and public sector will materially improve business and investor confidence.

4 SA has slid a further four places to 73 out of 189 countries in the World Bank's latest *Doing Business* report. Do you agree that SA is slipping, and if so, how would you fix it?
I cannot argue with the World Bank's findings. The ease of doing business can, and should, be improved quickly and dramatically. Legislation and bureaucracy make doing business in SA incredibly tiresome. Removing this red tape and putting legislation in place that supports small businesses would go a long way to improving employment. Small businesses create jobs. Mauritius is a great example of what can be done to improve the ease of doing business and, as a result, it is unsurprising that many now view Mauritius as the gateway to Africa. SA needs to catch up.

5 What would your strategy be to address the need for transformation and empowerment, while ensuring an attractive business environment for investors?
Historically, black empowerment transactions have been undertaken in an upside-down manner. Instead of distributing a portion of one's business to a select few individuals and appointing black board members at the executive level, if we had started at the other end of the spectrum 20 years ago, we would find ourselves in a materially different situation today. While I am 100% behind transformation, it should be undertaken in a more coherent manner. Empowerment should be about redistributing wealth to the masses, as opposed to a select few. To do this, the money used on BEE transactions could be better spent at the grassroots level. It is about improving our soft infrastructure, which includes education and health. This will ultimately result in transformation, as the natural progression takes place at an advanced pace.

*finweek *is a publication of Media24, which is a subsidiary of Naspers.*

The burgeoning middle class is another positive. It is this growing middle class that is going to carry our democratic society forward. Over the past 20 years at least

3m

South Africans have joined this middle class. This number continues to grow today.

"We shouldn't act like all the ills of the world result from poor policy choices or contested leadership"

Neva Makgetla

Programme manager for trade and industrial policy at Tips (Trade & Industrial Policy Strategies) and former policy coordinator for Cosatu

1 What are the top three policy issues that are depressing SA's growth rate?

By far the most important factors depressing growth are the end of the commodity boom, electricity constraints, and an unusually steep level of inequality. The latter depresses domestic demand and leads to investor uncertainty because it causes widespread protests and strikes, a rancorous policy discourse and rapid changes in policy.

2 What are the positives? Can we strengthen and improve on these?

Compared to our peers, SA is still a success story. Many of them have suffered much more with the end of the commodity boom (Brazil and Russia, for instance).

SA has a sophisticated economy, strong civil society and real democracy. Economic strengths include parts of agriculture (wine, citrus, other horticulture for export as well as basic foods) and manufacturing (the metals value chain, chemicals, agroprocessing, auto), and so on. The economy and society have a resilience that much of the prevailing commentary, which really is shaped by Afro-pessimism, tends to underestimate. As in Latin America, which SA resembles in many ways, the country may suffer setbacks but it will also make real progress in the long run.

The underlying problem is the end of the commodity boom. We shouldn't act like all the ills of the world result from poor policy choices or contested leadership.

3 What can we do in the short term to boost growth?

I would recommend taking a holiday regarding payments into the Unemployment Insurance Fund (UIF) and workers' Compensation Fund. This would act as fiscal stimulus without affecting the fiscus. Both of these funds are getting a R10bn additional surplus every year, and they have accumulated reserves of around R100bn. In effect, they are a forced savings scheme at a time when, because of the fall in commodity prices, we are risking stagflation.

I would also develop programmes urgently to improve workplace relations, which should start with a tripartite agreement on what constitutes a decent workplace (including for example improved supervision, seniority progression, career mobility and an end to discrimination in facilities in the workplace).

Another way to boost growth quickly is by making the Mining Phakisa work – the commodity bust has the potential to really damage this critical sector unless government, business and labour in the sector make the hard agreements with meaningful follow-up. Mining Phakisa is a programme modelled on Malaysia's "Big Fast Results" initiative that aims to improve upstream linkages between mines and capital providers, enhance beneficiation of raw output and improve research and development as part of a far-reaching modernisation of SA mining.

I would recommend taking a holiday regarding payments into the Unemployment Insurance Fund (UIF) and workers' Compensation Fund. This would act as fiscal stimulus without affecting the fiscus.

4 SA has slid a further four places to 73 out of 189 countries in the World Bank's latest *Doing Business* report. Do you agree that SA is slipping, and if so, how would you fix it?

It's not very scientific, so one has to check which elements have crashed.

5 What would your strategy be to address the need for transformation and empowerment, while ensuring an attractive business environment for investors?

Investors understand the need for transformation, but not at any price. The rules have to be clear; the costs not excessive and they have to be consistent. If we want a mixed economy, we have to accept that businesses need to make a reasonable profit and have reasonable security of ownership.

Government has to be clearer about its priorities. Do we want job creation, industrialisation, to promote black ownership at any cost or to fix the environment? During the commodity boom, we could afford to be a bit slack about governance and just add costs to business to achieve all of our aims. Now we have to deal with the real trade-offs. Otherwise it appears to business that government is just piling on new burdens and changing the rules every year or two. My personal preference would be to moderate our demands around everything except job-creating investment. But it's probably more important to come up with a combination that builds sufficient support to ensure stable requirements going forward.

Also as a complement to requirements for meeting social obligations, government has to be more responsive about other costs, for instance in terms of the availability and pricing of infrastructure, the efficiency of regulations, and so on. Critical issues include (a) systems for setting user fees, which are currently very poorly regulated, (b) ensuring more efficient metros, and (c) avoiding continual changes to fine-tune regulations.

"Give a tax holiday for new businesses for their first five years"

Russel Lamberti

Economist at ETM Analytics

1 What are the top three policy issues that are depressing SA's growth rate?
A systemic and deliberate anti-meritocracy, overregulation and nationalisation of key markets as well as excessive taxation by a bloated public sector.

2 What are the positives? Can we strengthen and improve on these?
Our strengths include a past accumulation of capital that is still intact (albeit under strain), a legacy of skills and an innovative entrepreneurial culture. Income inequality is also one of the best things going for SA. It creates a desire to succeed and rise above. This latent energy of inequality needs to be harnessed by policies of economic freedom and the economy will soar. If it is harnessed by policies of entitlement and redistribution, SA will be lost.

3 What can we do in the short term to boost growth?
Slash taxes and state spending (cut spending more to balance the budget). Raise interest rates to balance saving and consumption, reduce malinvestment, and stop the unhealthy debt-based growth model. The lower taxes will cushion the short-term blow of higher rates for indebted households and businesses. This process will liquidate zombie assets and reallocate capital to where it's needed most. Productivity will spike. Simultaneously scrap all trade barriers (import tariffs can be scrapped as part of the tax cuts). Lower the inflation target to 1%. Scrap exchange controls. Remove minimum wages, unban labour broking. Give a tax holiday to new businesses, regardless of size, for their first five years. Guarantee property rights to encourage investors. Allow the currency to strengthen.

Simultaneously scrap all trade barriers (import tariffs can be scrapped as part of the tax cuts). Lower the inflation target to

1%.

Scrap exchange controls. Remove minimum wages, unban labour broking. Give a tax holiday for new businesses, regardless of size, for their first five years.

4 SA has slid a further four places to 73 out of 189 countries in the World Bank's latest *Doing Business* report. Do you agree that SA is slipping, and if so, how would you fix it?
Make it easier to do business. Mainly, slash the burden of company taxation by scrapping provisional tax, making VAT payments less onerous, and lowering corporate tax rates. Then, deregulate the labour market and make hiring and firing less onerous.

5 What would your strategy be to address the need for transformation and empowerment, while ensuring an attractive business environment for investors?
The maths is quite simple. If SA does not create new wealth at a far more rapid rate, redistributionist policies will only leave everyone poor. The best form of empowerment is a just society with policies that foster rapid, sustainable growth. The number one priority is therefore growing the nation's wealth sustainably, and that in turn requires the maximum amount of economic freedom. Employment, expanding opportunities and choice is the essence of empowerment. ■

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SA's scorecard

Upside
- Developed infrastructure
- Burgeoning middle class
- Power of the constitution
- World-class financial and corporate sector
- Resilient economy and society
- Entrepreneurial potential
- Part of a fast-growing continent

Downside
- Labour legislation
- Excessive taxes
- Bloated public sector
- Overregulation
- Electricity shortages
- BEE policies
- Inequality

By Marcia Klein

5 YEARS ON, SHANDUKA'D

As Lonmin goes cap in hand to beg for a $400m bailout from shareholders in order to keep its struggling operations afloat, BEE partner Shanduka said it will walk away from its stake in the company, which is held through Incwala Resources.

Shanduka will not repay the £200m loan to buy its effective 9% stake in Lonmin and will forfeit its stake, leaving the platinum miner without sufficient black economic empowerment shareholders and a financial hole.

Mmabatho Maboya, Shanduka's stakeholder relations manager, says Shanduka "chose to exercise its independent business decision to not repay the loan and face the consequences of the loan conditions. The loan condition[s] state that Lonmin has the right to take over the investment if the loan is breached, and Shanduka Group will forfeit both the investment stake and its initial R300m investment into Incwala Resources [Lonmin's BEE partner]."

On 2 November, Lonmin warned that it will impair $1.85bn to $2bn of assets for the year to September, but made no mention of the Shanduka/Incwala issue. It has only recorded an $80m impairment on the loan so far. The struggling platinum miner also plans to raise $400m from shareholders, the third such exercise in six years, and restructure debt in an attempt to shore up its balance sheet.

finweek reported in its 29 October issue that Lonmin's deal with Shanduka, which was started by deputy president Cyril Ramaphosa in 2001, was in jeopardy as it had failed to meet the five-year deadline to repay any of the £200m loan, which was R2.3bn at the time but is now over R5.5bn due to the rand's devaluation and interest. Since publication, Shanduka has indicated it will not repay the loan, which arises from its 2010 purchase of a 50.03% stake in Incwala.

Shanduka "chose to exercise its independent business decision to not repay the loan and face the consequences of the loan conditions".

Mmabatho Maboya
Stakeholder relations manager at Shanduka

David Ngobeni
Chief financial officer at Shanduka

Shanduka disputed that the investment now sits in Pembani, saying it technically remains with Shanduka as its merger with Pembani has not been finalised despite it having received all the necessary regulatory approval.

Lonmin's financial results, due out on 9 November, will show an operating loss of $207m before the impairment charge, which is "primarily driven by lower PGM [platinum group metal] prices and the Business Plan, which has an impact on future discounted cash flows over the life of mine business plan across the group's operations".

The business plan refers to Lonmin's strategy to adapt its operations to the low-price environment for PGMs. It includes

The loans to Shanduka to date include the
£200m
(R2.3bn) original loan in 2010 and a
R175.5m
preference share subscription by Lonmin in Lexshell 806 in 2011.

Lonmin's Marikana platinum mine in the North West

Another view of the Marikana mine

Dean Hutton/Bloomberg via Getty Images

ROPS LONMIN

measures such as a reduction in capital expenditure, placing its Newman and Hossy shafts in care and maintenance, cutting 6 000 jobs, raising new equity and restructuring its debt.

Maboya would not say why Shanduka was not repaying the loan. "Shanduka Group, like any other company, has the right to exercise its independent business decisions without explaining them to any other party."

finweek reported in the October issue that Shanduka had not repaid despite getting the original loan, an additional R175m loan, and its share of various dividends, advanced dividends and loans by Lonmin since its 2010 investment (see box). But Shanduka has disputed this, saying payments made by Lonmin to Incwala were "solely meant" for the repayment of loans Incwala already had when Shanduka invested in the company in 2010.

Lonmin's annual reports refer to dividends, advanced dividends and loans to Incwala, but Maboya says loans to Incwala "were to service debt and meet certain covenants arising from loans that were in place prior to Shanduka's investment in Incwala in 2010. These loans were paid to prevent Incwala from defaulting on its loan obligations to its lenders, which would have jeopardised the BEE structure and endangered Lonmin's mining licence and ongoing operations".

She says that Shanduka did not receive any share of dividends declared.

Maboya says that *finweek* suggested Shanduka was unable to meet its obligation to Lonmin, but this was not the case.

David Ngobeni, Shanduka's chief financial and investment officer, says there were pre-existing loans to Incwala as well as operational debt, largely in Lonmin's Akanani project, in which Incwala had a 25% interest, and that is what any subsequent loans were for.

GAME OF LOANS

Shanduka's original loan was £200m (just over $300m or R2.3bn at the time), but at the September 2014 year-end, Shanduka owed Lonmin $417m (R4.58bn at the exchange rate at the time). This would be well over R5.5bn now due to the rand's devaluation.

This debt arises from a deal in mid-2010 where Shanduka acquired 50.03% of Incwala Resources, which owns 18% of Western Platinum, 18% of Eastern Platinum and 26% of Akanani, giving Shanduka an effective 9% stake in Lonmin.

Shanduka's investment was facilitated by the R2.3bn loan raised by Lonmin – and a R300m equity injection by Shanduka. This was followed by a further R175m loan from Lonmin.

Lonmin spokesperson Sue Vey confirmed for the 29 October issue that advance dividends to Incwala have been R1.129bn to date, including R228m in the 2015 financial year. She also confirmed that no other shareholders have been given advanced dividends. The advanced dividends were paid in years in which Lonmin did not declare dividends to ordinary shareholders.

The loans to Shanduka to date include the £200m (R2.3bn) original loan in 2010 and a R175.5m preference share subscription by Lonmin in Lexshell 806 in 2011.

Loans to Incwala of R510m include R80m in 2011, R110m in September 2013, R160m in March 2014 and R160m to service its funding requirements in 2013. Vey would not comment further this week.

Lonmin warned that it will impair **$1.85bn to $2bn** of assets for the year to September, but made no mention of the Shanduka/Incwala issue.

He adds that Incwala paid no dividends to its shareholders since mid-2010.

According to Ngobeni, Shanduka wrote off its investment in Lonmin in 2012, but did not walk away as it tried to keep the BEE structure in place. ■

editorial@finweek.co.za

*Matter of fact

finweek reported in the 29 October issue that Shanduka's Lonmin investment now sits in the merged Pembani Shanduka group after Shanduka's Cyril Ramaphosa became deputy president and offloaded most of his investments via a merger with Pembani. Shanduka has indicated that the investment remains technically with Shanduka as the deal with Pembani has not been finalised. Ramaphosa left Shanduka prior to the merger with Pembani. *finweek* regrets the error.

Series Part 3

Trade stocks at a click

In this third and final instalment of our series on online share-trading platforms, *finweek* looks at FNB's platform, GT247 and Saxo Bank.

Compiled by Buhle Ndweni and Lameez Omarjee

Online share-trading platforms allow private investors to handle their own trades – a handy tool for those who like to keep an eye on the market and get closer to real-time trading. Although the information investors receive on most of these platforms isn't updated minute-by-minute, they certainly bring investors closer to the action by removing the need for instructing brokers to execute trades on their behalf.

This is the final instalment in our series that looks at and compares the costs involved for the different platforms, the investment options they offer, and the requirements for opening an account.

If you have missed the first two parts of the series, you can buy the digital versions of our 29 October and 5 November issue on mysubs.co.za by simply searching for *finweek* and browsing the back issues.

FNB

1. COST

FNB offers five types of share-trading accounts: Share Saver, Share Builder, Share Investor, Local Trader and Global Trader.

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Your monthly fee is based on the market value of your portfolio. The higher your portfolio value, the lower your fee.

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R19/month, with a brokerage fee of 2% (minimum R50) plus VAT.

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The following services and information are available free of charge to all account holders: historical financial data and online education. Mobile access is available to all, apart from Global Trader account holders. Analyst reports and technical analysis is only available to Local Trader and Global Trader account holders.

6. TIME DELAYS ON SHARE PRICES
There is a 15-minute delay on prices.

7. DO YOU OFFER A LIVE FEED AT AN ADDITIONAL COST?
Local Traders can access live prices at a fee of 15c to 20c per request. Global Trader accounts also offer live pricing, but the fee is dependent on specific exchanges.

8. IS IT POSSIBLE TO USE YOUR PLATFORM FOR A TRIAL RUN BEFORE SIGNING UP?
Only for Global Trader accounts.

9. TO SIGN UP AS A CLIENT, YOU NEED TO SUBMIT:
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10. NUMBER OF USERS ON THE PLATFORM
Confidential.

11. CONTACT INFORMATION
0860 742737
shareinvesting@fnb.co.za

SAXO BANK

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Locally Saxo charges 34 basis points on equity and 23 basis points on Contract for Differences (CFDs). The minimum commissions are R100. For offshore costs it would depend on the exchange you would like to trade on.

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Yes, you can trade offshore through Saxo Capital Markets, which offers access to all major stock and futures exchanges.

Locally we charge

34

basis points on equity and 23 basis points on CFDs. The minimum commissions are

R100.

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We offer analyst reports, technical analysis, online education, chat forums and mobile access free of charge. We charge €2 (R30)/month for access to historical financial data.

6. TIME DELAY ON SHARE PRICES

There is a 15-minute delay.

We offer analyst reports, technical analysis, online education, chat forums and mobile access free of charge. We charge €2 (R30)/ month for access to historical financial data.

7 DO YOU OFFER A LIVE FEED AT AN ADDITIONAL COST?

Yes we do offer live pricing. The cost depends on the related exchange – ranging from, for example €1 (R15)/month for a live feed to data from the Euronext Stock Exchange to $55 (R761)/ month for a live feed to the Electronic Chicago Board of Trade.

8 IS IT POSSIBLE TO USE YOUR PLATFORM FOR A TRIAL RUN BEFORE SIGNING UP?

Yes, we offer a demo account.

9 TO SIGN UP AS A CLIENT, YOU NEED TO:

Complete an application form and submit a valid proof of residence as well as proof of identity.

10 NUMBER OF USERS OF THE PLATFORM

About 8 000 registered users.

11 CONTACT INFORMATION

010 201 6300

saam@saxomarkets.co.za

1. COST

Trader Cost Profile

Minimum first deposit:	R2 000
Commission/Shading:	10 basis points or 0.10%
Long funding:	SABOR +2.5%
Short funding:	SABOR -2.5%
Interest on margin:	Zero
Monthly platform fee:	No charge
Reporting fee:	No charge
Minimum commission per trade:	No charge
SMS notifications:	No charge
Telephone trades:	R50/trade
Inactivity fee:	R150/month
Credit card deposit administration fee:	2.3% of transaction value
Credit card deposit fixed charge:	R1.60/ transaction

Future Trader Cost Profile

Minimum first deposit:	R500
Shading:	Built-in with bid/offer price
Long funding:	SABOR +2.5%
Short funding:	SABOR -2.5%
Interest on margin:	Zero
Monthly platform fee:	No charge
Reporting fee:	No charge
Minimum commission per trade:	No charge
SMS notifications:	No charge
Telephone trades:	No charge
Inactivity fee:	R150/month
Credit card deposit administration fee:	2.3% of transaction value
Credit card deposit fixed charge:	R1.60/transaction

GT247.com

2. THE RANGE OF PRODUCTS TO INVEST IN

Our online platform allows for investment in CFDs; SAFEX Index futures and commodity futures; spread trading, and various foreign ETFs and indices.

3. CAN USERS INVEST DIRECTLY OFFSHORE?

Yes, you can trade most of the international futures in rands. You can also trade some instruments, such as Brent crude oil, in US dollars.

Our online platform allows for investment in CFDs; SAFEX Index futures and commodity futures; spread trading, and various foreign ETFs and indices.

4. DO YOU OFFER LIMIT ORDERS THAT ALLOW BUYING AT A SPECIFIC PRICE, AND/OR MARKET ORDERS THAT ALLOW BUYING AT THE BEST PRICE AVAILABLE?

We offer both.

5. WHAT INFORMATION IS AVAILABLE TO USERS?

On our smartTraders platform, we provide research and trade ideas through which traders can follow and track the trades of professional traders.

We also provide technical analysis, and host quarterly investment forums, and self-assessment tools to name but a few.

We have mobile access to our Future Trader platform via our MobiTrader apps, which is available in the Apple (IOS) and Play app stores.

6. TIME DELAYS ON SHARE PRICES

Prices on our derivative platform are live.

7. DO YOU OFFER A LIVE FEED AT AN ADDITIONAL COST?

JSE data costs apply, and we therefore charge clients accordingly for live streaming of prices.

8. IS IT POSSIBLE TO USE YOUR PLATFORM FOR A TRIAL RUN BEFORE SIGNING UP?

Yes, we offer a 28-day demo account.

9. TO SIGN UP AS A CLIENT, YOU NEED TO:

Provide profile information, including your address, bank details for Fica purposes and withdrawals. Fica and Sars details, however, are optional.

10. NUMBER OF USERS OF THE PLATFORM

We have a combined 3 179 CFD users and 3 298 Spreads users.

11. CONTACT INFORMATION

087 940 6108
helpme@easyequities.co.za
www.easyequities.co.za

Retirement mistakes to avoid

Pensioners often only discover too late that their savings might not be enough to adequately support them during retirement. *finweek* spoke to a number of specialists to identify the mistakes typically made in saving towards retirement – and how to avoid them.

By the *finweek* team

MISTAKE NO 1: DOING NOTHING OR THINKING YOU ARE TOO YOUNG

"If you do nothing you will have nothing. Do something. However small, it is better than doing nothing," stresses Lionel Karp, a retirement specialist with Chartered Wealth.

Worryingly, many young people adopt an attitude of "I'm still young. I'll worry about retirement later". Then, suddenly, later is upon them and they have lost many crucial years of saving. "You are never too young to start saving," says Certified Financial Planner Ricky Williams of Anfield Investment Planning. "The culture of saving for retirement should start with your very first pay cheque because this establishes a habit of saving. The sooner you start, the better your chances of a comfortable retirement," Williams says.

MISTAKE NO 2: MESSING WITH YOUR PENSION FUND AND RETIREMENT ANNUITIES

Long service is mostly a thing of the past, with the younger generation frequently changing jobs. Not preserving pension fund contributions by transferring these to the new employer or to a preservation fund is, says Williams, "financial suicide".

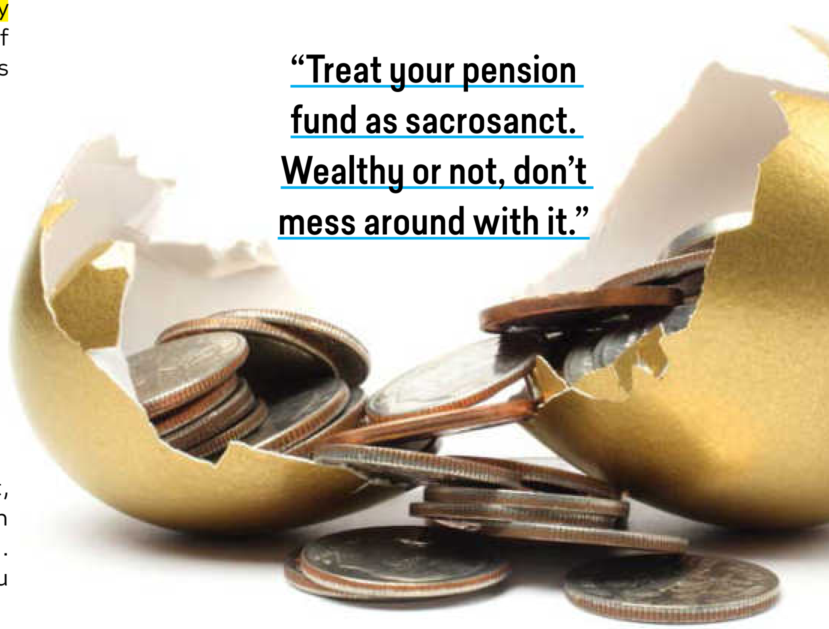
Anne Cabot-Alletzhauser, head of Alexander Forbes Research Institute, says: "Treat your pension fund as sacrosanct. Wealthy or not, don't mess around with it. Treat it as though it is the only thing you will be able to live on. "It is there to be your safety net and might be all you have if the rest of your wealth is wiped out."

Anne Cabot-Alletzhauser
Head of Alexander Forbes Research Institute

A retirement annuity (RA) is the only retirement product that you are not allowed to touch before age 55, Williams tells *finweek*. "But if you stop contributing to your RA it becomes paid up. While it carries on growing, it does so at a reduced rate. Not only will you suffer an early termination penalty due to non-contribution, but you won't have enough money at retirement."

MISTAKE NO 3: FAILING TO GET PROFESSIONAL FINANCIAL ADVICE

"People don't want to pay for advice. Financial planning



"Treat your pension fund as sacrosanct. Wealthy or not, don't mess around with it."

HOW MUCH DO YOU NEED TO RETIRE COMFORTABLY?

Many baby boomers who have already retired are starting to run out of money. And much of this has to do with longevity. Gone are the days when we assumed we would kick the bucket somewhere between 70 and 80.

Advancement in healthcare has meant life expectancy has lengthened and this longevity requires that financial planners take a somewhat different stance when planning for an income for life. Today, life expectancy is around 90 years.

Let's assume retirement at 60 or 65 equates to 25 or 30 years without a salary. Those 30-odd years don't come cheap given that, at the very least, this is when retirees can expect increased medical costs. "It's a guide, but I try to plan to 100," says Karp. "When you retire, you need 20 times your annual expenditure. So, for example, if your current expenses are R30 000 per month that equates to R360 000 annually and multiplying this by 20 means a total of R7.2m would be required."

Whether this amount would be enough depends on whether the capital increases by at least inflation plus the fees paid to manage that money, says Williams. "Rather than individuals asking themselves how much capital they need, the question they should be asking themselves is this: How much income will I have at retirement and will it be able to pay my expenses for my lifetime?"

"While how much capital you have is not irrelevant, what is far more relevant is how much income you will have," says Williams, who plans indefinitely for after-tax income increasing with inflation. ■

Gallo Images/ iStock Images

still has the connotation of selling life insurance and risk. There is a massive misunderstanding about the difference between dealing with a life insurance agent and a financial planner. The first deals with the risk side, such as death and disability and income protection. The latter is a specialist in retirement and financial planning," says Karp.

"Don't try and do it yourself. There is a saying in law that a man who defends himself in court has a fool for a client. The same holds true here. The concept of taking and paying for advice is a critical part of the education process," says Williams.

A good financial planner will plan for a client's funds to provide an income for life and even outlast them. This is generally achieved by making sure that a client's portfolio is individually tailored, well-balanced and diversified, which ensures that a client's money works hard for them and in their best interests.

Diversification, both advisers maintain, is crucial. "You have to have a bit of cash, gilt, property and equity and then you need to repeat the same thing offshore. As you get older, generally equity exposure is reduced to more property cum interest-bearing returns in order to mitigate risk," says Karp.

Ricky Williams
Certified Financial Planner
Anfield Investment Planning

MISTAKE NO 4: ELECTING TO TAKE TOO HIGH A PENSION DRAWDOWN AND ERODING THE CAPITAL

"You should always aim to only draw down the percentage income that your funds are producing, that way you will never run out of capital," cautions Williams.

Taking a high drawdown percentage has the potential to erode capital and negatively impact the ability of that pension fund to provide an income for an increasing life expectancy.

"Be aware of how much you are drawing in relation to how much it is reducing your capital," says Karp. "In an ideal world one should obviously try and take as little as possible, but sadly, this is not always achievable."

A good financial planner will plan for a client's funds to provide an income for life and even outlast them.

MISTAKE NO 5: INVESTING THE BULK OF YOUR SAVINGS IN HIGH-RISK VENTURES AT A MATURE AGE

Too often pensioners looking to bump up their retirement pots are seduced by get-rich-quick schemes. The old adage, "If it looks too good to be true, it generally is," holds true.

"A mature age is exactly the time you look to conservatism, the rationale being that if things go wrong you don't have enough time to come back," cautions Karp. "A young investor can bounce back from losses sustained by a high-risk investment even if the market is down for 10 or 15 years, because they have the time to come back from that." ■

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Lionel Karp
Retirement specialist with
Chartered Wealth

Ricky Williams is married to *finweek* contributor Glenda Williams.

LAST-MINUTE STRATEGIES TO BOOST RETIREMENT INCOME

Options for boosting income upon retirement are limited, but there are a few.

1. Try and make a higher contribution towards your savings: If your disposable income does not allow for this, relook the budget and determine where expenditure can be cut.

2. Consider working longer to continue earning a salary: Working beyond retirement often depends on company rules and the concern around cost to company of keeping such an individual on company benefits. But some companies do allow those who have reached retirement age to continue working, with the individuals themselves rather than the company sometimes carrying the cost of those benefits.

3. Become inventive about bringing in more money: This could mean consulting or finding part-time work. "While you may no longer be employable in the formal sector due to your age, there is a whole new world opening up online where you can use your intellect to provide income," says Anne Cabot-Alletzhauser, head of the Alexander Forbes research institute. "Start tapping into these online services that range from dog-walking to editing manuscripts to tutoring to make money. It is low risk, low energy so you can do it at your own pace."

4. Reduce frivolous spending and consider downscaling your lifestyle: Cutting back on nice-to-haves could free up a healthy chunk of cash that could be used to top up the retirement pot. Perhaps this is the perfect time to downscale to a smaller, or less expensive vehicle, or a smaller home, allowing you to save on the higher rates and taxes, electricity, water and maintenance costs of larger homes.

5. Don't discount higher risk growth assets but be wary of get-rich-quick schemes: "There are no shortcuts. It is especially at this time and in the situation of insufficient retirement funds one should be saying 'Thank you, but no thank you,' to get-rich-quick schemes," says Karp. Someone offering such a scheme is not going through your financial plan to identify exactly what your needs are or what your risk tolerance is. Financial planning is not a product that you pick off the shelf at a supermarket that might be having a special," says Karp.

But avoiding the get-rich-quick trap doesn't necessarily mean avoiding higher-risk growth assets. "Even when approaching retirement, growth assets, which may be more volatile but produce the income that is needed, should not necessarily be avoided. "Volatility in capital can be better tolerated than volatility in income," says Williams. ■

Retirement reforms explained

National Treasury plans to get South Africans to save enough for retirement, which will lead to more changes to pension and provident funds in March 2016.

By Buhle Ndweni

Only about 5% of South Africans save enough to be able to retire adequately, according to Brian Butchart, MD at Brenthurst Wealth.

Hence pensioners often run out of retirement savings prematurely and become dependent on relatives or government grants. To curb this, National Treasury proposed reforms aimed at encouraging saving towards retirement.

Treasury's amendments mean that, by default, your retirement savings will be preserved when you change jobs and your benefit will be converted to an annuity when you retire, rather than the current situation where your money gets paid out as cash by default, explains Hugh Hacking, head of Old Mutual Corporate Consultations.

Provident fund members who resign from their jobs will however still be able to take all their retirement savings as a cash lump sum upon resignation, with tax implications. Alternatively they can preserve their money with a financial institution, or previous or new employer – without tax implications, to motivate people to save.

However, at retirement, provident fund members will also be required to convert at least two-thirds of their retirement savings into an annuity or pension, instead of receiving a large one-off sum of cash.

Tax implications

Starting from March 2016, Treasury will harmonise tax treatments of retirement fund contributions in provident, pension and retirement annuity funds.

Tax deduction benefits will be extended to provident fund members as well, but the tax-deductible contribution will be capped or limited to 27.5% of the taxable income or R350 000 per annum for high-income earners.

Tax deduction benefits will be extended to provident fund members as well, but the tax-deductible contribution will be capped or limited to 27.5% of the taxable income or R350 000 per annum for high-income earners.

All growth, interest and dividends earned in either the pension, provident or retirement annuity is tax free, says Butchart.

Treasury also proposed that pension and provident funds have a preservation fund to preserve their benefits when resigning from a job. There is currently no preservation fund policy. There is also no effective date of implementing such a policy. Retirement annuity funds have a preservation fund where one cannot withdraw funds until at least the age of 55.

What happens if your company does not have a compulsory retirement fund?

A retirement annuity (RA) is a good option, says financial adviser at Brenthurst Wealth, Renee Eagar. "An RA is such a good tax-efficient vehicle. When you contribute to an RA you get a tax reduction, there is no capital gains tax [and] no retirement fund tax within an RA. So what this means is your money is growing at a real return without having to take taxation into consideration." ■

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Renee Eagar
Financial adviser at Brenthurst Wealth

Brian Butchart
MD at Brenthurst Wealth

WHAT THE REFORM MEANS FOR PROVIDENT FUND MEMBERS

As of March 2015, provident funds are treated more like pension funds. But this does not mean the end of provident funds.

Prior to the reform, pension fund members could receive a third of their total benefits in cash, while two-thirds were paid out as pension for the rest of the member's life. The provident fund member, on the other hand, could get one withdrawal before retirement and their full benefit paid in a cash lump sum.

With the new reform, a member aged 55 or older as of March 2015 – when the reform was implemented – will not experience any changes in access to their funds. Such provident fund members will still be entitled to the benefits of the provident fund structure as we currently know it, says Butchart.

If the retirement fund member had not reached the age of 55 on the implementation date, then the vested value in their current funds will be notarised. "That portion of your funds, as well as the growth on that portion of the funds, will be dealt with in the applicable tax dispensation as was previously the case. Additional premiums and growth after the effective date will be dealt with as per the new tax dispensation and will need to be annuitised at retirement in the same manner as a pension fund," says Butchart.

AS OF 1 MARCH 2014, THE FOLLOWING ADJUSTMENTS WERE IMPLEMENTED TO ALLOW FOR INFLATION. THESE ADJUSTMENTS WERE ALSO AIMED AT ENCOURAGING PEOPLE TO SAVE MORE TOWARDS RETIREMENT:

- The tax-free amount of a withdrawal prior to retirement is now R25 000 (up from R22 500); subject to aggregation.
- The cumulative tax-free amount at retirement (including retrenchment and death) is now R500 000 (up from R315 000). Certain withdrawals prior to specific dates may be excluded when aggregation is applied.
- Pension funds and retirement annuities are restricted to a one-third lump sum at retirement and two-thirds to a life or living annuity to generate an income.
- Provident funds allow one withdrawal prior to retirement and full access to the total lump sum at retirement, although this is not always advised due to the tax implications.

SOURCE: Brenthurst Wealth Managing Director Brian Butchart

on the money

THIS WEEK:

>> **Small business:** A closer look at suretyship *pg.42*
>> **Business strategy:** The eight steps to get right *pg.44*

ENTREPRENEUR

By Jinine Botha

Sage CEO's entrepreneur tips

Sage International CEO Ivan Epstein believes small- and medium-sized enterprises (SMEs) are vital to South Africa's economy and that supporting this sector can have large-scale benefits for our country. *finweek* talks to this entrepreneur about his passion for growing SMEs and the drive that got him to where he is today.

Over the past two centuries, entrepreneurs have been responsible for innovations that have changed the way people live their lives and conduct their business. Ivan Epstein, CEO of Sage International, firmly believes that entrepreneurship is vital to the economy: "From electricity and the telephone, to the internet and social media. Good ideas, innovation and entrepreneurship are what truly fuel the economy."

Epstein co-founded Softline – the company that developed homegrown accounting software products such as Pastel and VIP Payroll – in 1988. Softline was acquired by multinational enterprise software company The Sage Group plc (Sage) in 2003.

Sage is the world's third-largest supplier of enterprise resource planning software (behind Oracle and SAP) and the largest supplier to small businesses. It is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index, with a current market capitalisation of about £5.4bn (R114.7bn).

Epstein's entrepreneurial dream of enabling SMEs to grow took flight when Softline was acquired by Sage and became part of the group's long and broad experience in the realm of SME development.

In addition to its range of software solutions, Sage provides user training to SMEs through its national training academy, and offers training in general business skills, such as tax year-end compliance, basic bookkeeping and financial literacy as well as HR management.

When Sage acquired Softline, Epstein was appointed CEO and today he heads up Sage's businesses across Africa, Australia, the Middle East and Asia – all regions that include some of the world's fastest-growing markets for business solutions.

Global Entrepreneurship Monitor research shows that small businesses are significant contributors to job creation, creating **50%** of all employment opportunities in South Africa.

Starting small

Before this massive success, Epstein experienced the trials and tribulations of running his own business with Softline.

Though most believe the combination of a contracting GDP, the volatile rand, rising inflation and rising interest rates make it incredibly tough to run a small business, Epstein believes these tough economic times should not deter entrepreneurs.

Ivan Epstein
CEO of Sage International

"Often great things are done in times of hardship. Recessionary times, for me, are often the best times to start a business, because of all the opportunities that open up. When things go well in an economy and profits rise, it can often be tougher to get started. I remember building my business [Softline] during the recession of the 1990s and the tough times did not stop us. We found ways to keep our business afloat. This sometimes meant that I had to work full-time to support my start-up, but when the economic tide turned we were established and reaped the benefits of our perseverance."

Even today Epstein believes in running large multinational Sage as he did his small business.

"I always say, despite how big we get or how much money we make, we should always operate a large business with the heart of a small one; with the same drive, ambition, tenacity, urgency and hunger to achieve and innovate." Epstein also believes company culture is important: "If you can take employees with you on your journey, and you engage the right people, your business will take care of the customers' needs."

Epstein's own experience as an entrepreneur has enabled him to hire people with the same passion that strive to make customers' lives easier, allowing them to focus on growing their businesses.

Backing SMEs

Global Entrepreneurship Monitor research shows that small businesses are significant contributors to job creation, creating 50% of all employment opportunities in South Africa. Currently, the SME sector accounts for more than 45% of the country's gross GDP.

"So if we consider these numbers and increase the quantity of SMEs in any given country, the needle of economic growth will move in a positive direction," insists Epstein.

Even government admits that without the growth of small businesses, the goals set by the National Development Plan (NDP) will not be reached. The NDP envisages that 90% of the 11m jobs targeted by 2030 will come from the SME sector. Deputy minister of small business development, Elizabeth Thabethe, recently said that it "is critical that both the private and public sector avail opportunities for small to medium enterprises so as to arm them to tackle the high unemployment we are facing as a country, and help create the jobs that our people need".

Epstein says it's important for businesses – especially ones like Sage that have vast amounts of data on how SMEs function, as well as the knowledge of what they need to grow – to work with government to create a thriving SME sector.

"Large businesses have a huge amount to gain through a more aggressive focus on the development of the SME segment," adds Epstein. "A stronger SME sector gives big business access to more customers, suppliers, dealers and outsourcing long-term partners. From the public perspective, an increase in healthy SMEs means more employment, a wider tax base and general prosperity i.e. a more stable social environment and a healthier economy. This is the ideal context for large businesses to operate in," explains Epstein.

"The right kind of support from government and business could spark a significant change in the trajectory of the local economy as a whole."

According to him, a helping hand from large business and/or government can make the difference between eventual success and failure for SMEs, especially in their early years. "These are the times when cash flow is tight, and when the business is vulnerable, regardless of its long-term potential," he says.

"Big businesses and government agencies can be incredible customers and partners for SMEs, if the relationship pays attention to their real needs and challenges. Our experience at Sage is that active support allows the SME to grow. The opposite, sadly, is also true. SMEs that don't receive active support often just wither and cease to exist."

Epstein believes a lot more can be done in terms of boosting the SME sector, from something as simple as paying an SME timeously, rather than at 60 days, to investing in mentoring and education and research programmes. He is passionate about this and believes business mentoring can make all the difference, "since most SMEs don't have the HR, legal, marketing and taxation skills and resources that larger companies do".

A recent survey by PwC found that access to markets, funding and revenue generation were seen as the three most significant commercial challenges faced by SMEs in the past 12 months. Epstein says that entrepreneurs should persevere when times are tough because often they give up without realising how close they are to success.

That said, recognising the importance of SMEs, and offering "the right kind of support from government and business could spark a significant change in the trajectory of the local economy as a whole", concludes Epstein. ■

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GETTING TO KNOW IVAN EPSTEIN:

1. Career path

Epstein started at professional services firm PwC before co-founding Softline in 1988. He led the start-up to a listing on the Johannesburg Stock Exchange in 1997. When Sage acquired Softline in 2003, Epstein was appointed CEO for southern-hemisphere countries.

In addition, he serves as chairman of the Sage Foundation, which provides support to non-profit organisations and communities around the world by sharing Sage resources with them. The Foundation's 2+2+2 community model involves donating 2% of employee time each year; 2% of free cash flow; and 2% of Sage's smart technology products to any charity, social enterprise or non-profit organisation.

Epstein believes his ambition was also the biggest obstacle he had to overcome in his career. "I tried to do everything at lightning speed, and sometimes I tripped over my own feet. So the biggest challenge for me was to learn how to be patient with myself."

2. Management style

Epstein describes his management style as "pretty open and approachable". He believes in giving people autonomy to come up with ideas and the freedom to make them work.

"I am not a control freak and I truly believe in surrounding myself with people who are better than me," he says.

3. Work/life balance

He says he never switches off and has found it very difficult to have a work/life balance. "Some people can find [that balance]. I couldn't."

Epstein says he made time to go to school plays when his children were still in school, but he always kept working. "Six days I'm in the office and the seventh day at home in body, but not in mind. It's just the way I am."

4. His ultimate dinner guests

Epstein was fortunate enough to have had a relationship with former president Nelson Mandela. So Madiba would be one, joined by Margaret Thatcher. "Britain would not be where it is today if it was not for the work done by Thatcher previously."

By Jaco Visser

What you need to know about suretyship

Many small businesses start with a lack of tangible security against which they can borrow money from banks or apply for credit from suppliers. One way in which creditors protect themselves against defaulting customers or borrowers is to ask suretyship from an individual. *finweek* spoke to legal experts about how suretyship works and what to look out for.

A suretyship is, essentially, an undertaking by a person – the surety – to pay a creditor should a debtor default, according to Brian Jennings and Sanushka Chetty, both senior associates in ENSafrica's corporate commercial department. As such, it is a form of security given by a third party to secure the debts of a debtor in favour of a creditor. There is usually a relationship between the debtor and surety, e.g. they might be a family member or there may be some other relationship of trust between them, according to Jennings and Chetty.

Potential sureties should ensure that they understand the impact that different suretyship provisions could have and read the suretyship documentation carefully in order to avoid nasty surprises in future should the debtor – whether an individual or the small business – not be able to repay monies owed to creditors, according to them.

"If one was acting for a surety, one would want to consider limiting the surety's liability under the suretyship to a fixed amount," they say. A potential surety should also be vigilant as to whether a creditor excludes the common-law benefit of excussion in the suretyship, Jennings and Chetty say. Under a typical suretyship, the creditor would be obliged to sue the debtor first to recover their loss, before the creditor is entitled to sue the surety, and then only for the balance of the creditor's loss, they explain. This is called excussion.

"Because this process is cumbersome and time-consuming, creditors often exclude the benefit of excussion in the suretyship," they explain. "By doing so, the creditor is entitled to sue the surety directly for the entire amount of the creditor's loss."

It is then up to the surety to recover the amount he or she paid to the creditor from the debtor, they say. ■

editorial@finweek.co.za

Brian Jennings
Senior associate at ENSafrica

Sanushka Chetty
Senior associate at ENSafrica

WHAT ARE THE PITFALLS OF SURETYSHIP?

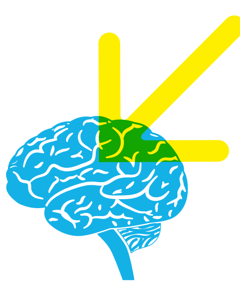
There are a number of pitfalls when acting as a surety, according to ENSafrica's Brian Jennings and Sanushka Chetty:

■ The major pitfall is that the small-business owner's personal assets, e.g. their home, would no longer be protected by the separate legal personalities that exist between the owner and the small business. A creditor would be entitled to claim against the small-business owner's personal estate for the entire amount of the underlying debt.

■ If the debtor or the surety's assets are not enough to cover the debt owed to the creditor, then the debtor and/or the surety would face insolvency proceedings.

■ There are other non-legal consequences of being required to make payment under a suretyship, including possible adverse credit ratings and increased cost of doing business.

Potential sureties should ensure that they understand the impact that different suretyships provisions could have and read the suretyship documentation carefully in order to avoid nasty surprises in future.



It is a form of security given by a

3rd

party to secure the debts of a debtor in favour of a creditor.

WHAT TO KEEP IN MIND WHEN SIGNING A SURETYSHIP

There are a number of factors that a potential surety should keep in mind before signing a suretyship document, according to Jennings and Chetty:

■ What is the surety's liability under the agreement? Is it limited to a certain amount?

■ Does the suretyship cover the specific business of the debtor with the creditor, or does it cover all business that the debtor does with the creditor from time to time? The latter is very open-ended, and dangerous.

■ How long does the suretyship endure for? Ideally, the length of the suretyship should also be limited to the period during which the debt remains outstanding.

■ Does the surety have a voluntary right to terminate the suretyship?

■ Has the benefit of excussion been excluded?

■ Is the suretyship demanding that the surety become a co-principal debtor?

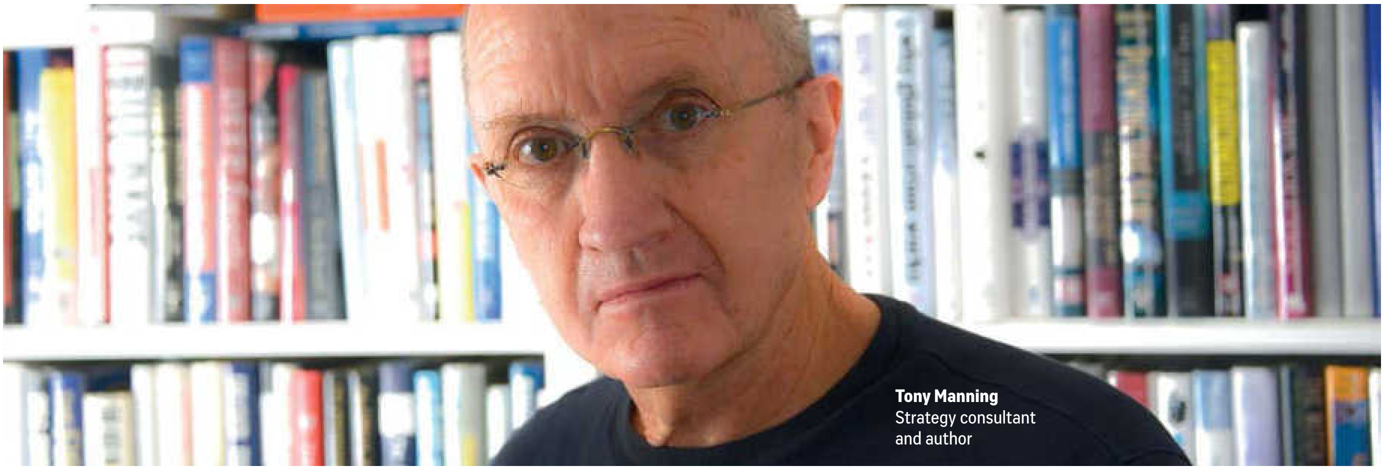
■ What court will have jurisdiction? Is it one where the surety does not reside?

■ Does the suretyship provide for arbitration in the event of any disputes? This method of dispute resolution, despite its advantages, is often costly and the agreement usually provides that the creditor's legal fees are paid by the surety.

By Tony Manning

8 vital business strategy steps

In his new book, *What's Wrong With Management and How to Get It Right*, Tony Manning draws on a century of management history to determine which strategies truly work. Also using his own research and experience, he provides managers across all sectors with insight into the strategic steps that will boost their businesses' bottom lines.



Tony Manning
Strategy consultant and author

The most pressing management need of our time is to know and apply the practices that make the difference between winning and losing in business.

There's nothing new about this. But there's an urgency now to get it right.

Many of the challenges firms face are unprecedented. They, more than any other social institution, determine our future. Those in trouble must be quickly fixed, and the strategies of those that are doing well must be sharpened.

But merely improving what is won't suffice. Given rapidly changing external conditions, firms find themselves constantly at what Andy Grove, the former chairman of Intel, famously called "a strategic inflection point" – a moment of both extraordinary possibilities and significant risks. Choices made today, tomorrow and next week determine their long-term prospects. And as the world continues to change, and competition becomes ever more hostile and the need for growth more pressing, all have to keep adapting and progressing to produce new results.

Andy Grove
Former chairman of Intel

Over the past century, countless people have claimed to understand what makes companies tick and what makes some more competitive than others. They've produced, packaged, and peddled a truly astonishing amount of advice. But the outcome of their efforts is more often than not another minor tweak to existing knowledge rather than the invention of something new.

It is true that significant insights and ideas have been produced in areas such as finance, accounting, marketing, operations and decision-making. But in the two whose impact on business performance overshadows all others – strategy and people management – we've seen little progress. Our understanding of how to compete and win evolves at a glacial pace. The breakthroughs would fill a thimble.

Most of what's touted as "thought leadership" is, in fact, "thought *followership*". It hitches a ride on what we already know, perhaps from a slightly different angle, or dressed up with a new name or information from a new study, but adds little to our understanding of how to manage for advantage. With few exceptions, "new" ideas are at best marginal when it comes to utility. The language describing them might change, but the foundational concepts hold firm. "In thought leadership terms," says Fiona Czerniawska, an expert on the management consulting business, "2012 was the equivalent of 1916: stuck in the mud."

Bluntly put: in one of humankind's most crucial areas of knowledge and practice, we're going nowhere slowly.

Most of what spews forth never reaches managers. Much of what does reach them is confusing rather than enlightening; distracting at best, useless at worst. All too often, this results in unnecessary costs and work rather than better business results.

You have to free up time to think. You have to move fast. You have to keep innovating and improving.

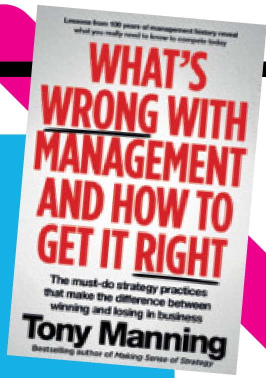
The good news, though, is there's compelling evidence that the way to build your competitive advantage, capture and keep customers, and stay ahead in the profit game lies in what you may already know but just don't focus on. That if you want to be a serious competitor today and tomorrow, less really is more and simpler is better.

What's Wrong With Management and How to Get It Right identifies the practices that have been shown to matter most, and explains why you need to master, embed, and relentlessly apply them in your company. This will guide you towards doing the right things right away, and ensure that your strategy conversation is properly framed and focused. It will also help you put whatever new ideas you come across into perspective, and evaluate them sensibly before you try them.

Photo: www.intel.com

Win!

Enter our quiz for a chance to win a copy of *What's Wrong With Management and How to Get It Right*.



When all is said and done, every company always had to do the same essential things – and must do them today:

- Identify their "right" customer;
- Understand that customer's needs;
- Develop a business model to satisfy them better than competitors;
- Get the necessary resources, and continually strengthen them;
- Focus all efforts on specific results;
- Unleash the imagination and spirit of people; and
- Keep learning, innovating, and improving.

So these are the critical strategy practices:

1. **Growth leadership:** Effective leadership that's committed to growth, and to achieving it by growing people.
2. **Fast learning and adaptation:** The ability to sense and make sense of change and act on it faster than competitors.
3. **Focus, value, costs:** Clarity about where and how to compete, and a relentless effort to drive value up and costs down for the "right" customer.
4. **Business model innovation:** Continual reinvention of the way value is created, captured, and shared.
5. **Resource and capability development and leverage:** Accessing, attracting, acquiring, and building the strengths needed to compete, and using them to maximum effect.
6. **Stakeholder alignment and support:** Persuading individuals and organisations with any interest in a firm to "vote" for it rather than against it.
7. **Smart sequencing and pacing:** Doing the right things in the right order and at the right time.
8. **Disciplined execution:** Having a deliberate and systematic way to turn intentions into action with sound outcomes.

As in other fields, each of the practices is a bundle of routine behaviours, concepts, tools, or techniques. If the practices are the *what* you must do, these are the *how*. There's a rich array of them, and there will be even more in the future because this is where most study and experimenting occurs.

Your company is most likely to be successful if you get back to the principal drivers of business results – what you absolutely must obsess about, and why – and then apply them in the simplest, most practical way possible. You have to free up time to think. You have to move fast. You have to keep innovating and improving. So start doing that right now. ■

editorial@finweek.co.za

This is an excerpt from Tony Manning's latest book, *What's Wrong With Management and How to Get It Right*, published by Penguin, 2015, R250. Manning, a former chairman of the Institute of Directors of Southern Africa, has been an independent strategy consultant since 1987.

For a chance to win Tony Manning's book, complete the quiz online via *finweek*'s website fin24.com/finweek. Entries open on 9 November. Good luck!

1 **True or false?** According to a recent Deloitte report, Massmart is the top retailer in Africa.

2 As per a new rule that came into effect on 1 November, what do South Africans now have to provide when applying for a new vehicle licence disc?

3 Which country recently scrapped its one-child policy?
- India
- China
- Monaco

4 **True or false?** Canada recently decided to stop honouring its citizens as knights and dames.

5 Name the capital of Peru.

6 **True or false?** Kaizer Chiefs won the recent Soweto Derby.

7 Local musician Cassper Nyovest recently made history when his concert held at a well-known SA venue sold out. Name this venue.

8 What country does the politician Aung San Suu Kyi come from?

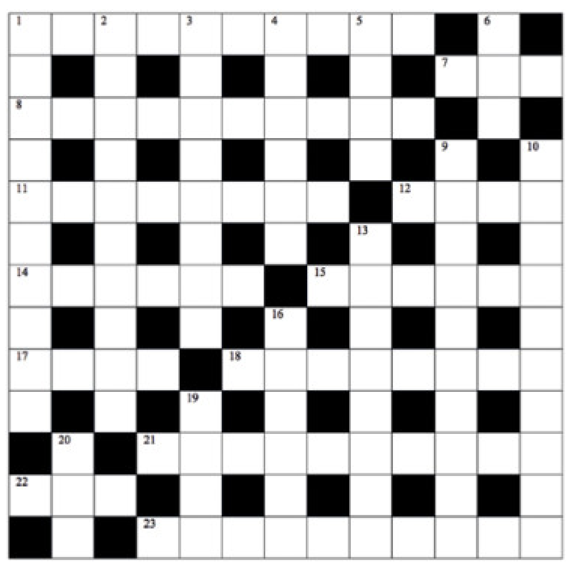
9 **True or false?** Turkey uses the euro as a currency.

10 Who is Ayanda Mabulu?
- A gospel singer
- The deputy minister of trade and industry
- A local painter

CRYPTIC CROSSWORD 607 JD

ACROSS
1 Where to find a free satellite dish? (2,3,5)
7 What's the alcohol content of scrumpy? (3)
8 Heat up old tart at Easter (10)
11 Form of address in the state of Florida? (8)
12 Judge starts on about nefarious woman (4)
14 Turn up by day without any humour (6)
15 Reference work leads to doubt being expressed in principle (6)
17 Inch forward (4)
18 Ready story's a swindle (4,4)
21 Union soldier is the lead person supporting US constitution (10)
22 He'll paraphrase what foreign tourists say (10)
23 Take a break from game of cards (3)

DOWN
1 Public knowledge involves no false pretences (4,6)
2 In fine art – not fine if you're on board? (5,5)
3 Look at cloud building on peak (8)
4 Encircling, eye gin cocktail (6)
5 Locate it in Kent, say (4)
6 Novitiate starts off the Song of Simeon (3)
9 Rider has a job writing (10)
10 Q: Name meteor which broke the wind gauge (10)
13 Railway signal to proceed with a drink? (8)
16 Greek eating house isn't a public house (6)
20 & 19 Opening time follows break in studies (3,4)



Solution to Crossword NO 606 JD

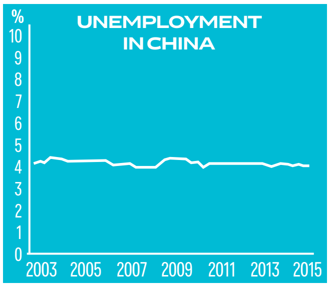
ACROSS: 1 Primus stove; 9 Ace; 10 On the trot;11 Nymph; 13 Leopard; 14 Finale; 16 Option; 18 Chessel; 19 Acerb; 20 Neologise; 21 Sad; 22 Take the taxi

DOWN: 2 Rue; 3 Mooch; 4 Settle; 5 Toe loop; 6 Versatile; 7 Magnificent; 8 Student body; 12 Minnesota; 15 Lissome; 17 Bluish; 19 Adept; 21 Sox

On margin

Lies, damn lies and statistics…

As Jeroen Blokland, an investor at Robeco Asset Management in the Netherlands, tweeted – you have to love this chart!



SOURCES: Nordea Markets and Macrobond

Rest in peace

In celebration of All Souls' Day in the Christian tradition and the Day of the Dead in Mexico on 2 November, *The New York Times* published some epitaphs from headstones of famous people:

- "The best is yet to come" – Frank Sinatra, American singer, actor and producer (1915-1998)
- "*Dúirt mé leat go raibh mé breoite.*" Translation from Gaelic: "I told you I was ill." – Spike Milligan, British comedian, writer and actor (1918-2002)
- "That's all folks" – Mel Blanc, American actor, best known for his work as the voice of cartoon characters including Bugs Bunny, Tweety Bird and Speedy Gonzales (1908-1989)
- "I'm a writer. But then nobody's perfect." – Billy Wilder, American filmmaker, screenwriter, producer, artist and journalist (1906-2002)
- "There goes the neighbourhood." – Rodney Dangerfield, American comedian and actor (1921-2004)

Bill Gates in hell

Bill Gates goes to purgatory.

St Peter says: "Now Bill, you have done some good things, and you have done some bad things. Now I am going to let you decide where you want to go."

First, St Peter shows Bill an image of hell with beautiful women running on beaches. Then, St Peter shows Bill an image of heaven with robed angels playing harps on clouds.

Bill chooses hell.

About a week later, St Peter checks in on Bill in hell and finds him being whipped by demons.

Bill says to St Peter: "What happened to all the beautiful women and the beaches?"

St Peter replies: "That was just the screen saver."

Verbatim

Rebecca Davis @becsplanb
One of the only shops at Wonderboom Airport in Pretoria sells "pilot training equipment" and "aircraft parts". That inspires confidence!

Evita Bezuidenhout @TannieEvita
I see the #PostOffice is marching! Maybe they can also deliver our mail on the way?

TraderPetri @TraderPetri
So $JSEMTN basically said "be careful when trading our shares because we are not giving you any information". Thanks guys.

Simon Brown @SimonPB
When it is time to panic, best to panic quickly... Witness MTN last Monday [26 Oct] you could get out for R170-R175... Now under R148 #JSE

Vasilis Girasis @vasilisgirasis
Wonder if MTN stands for – Making Trouble in Nigeria... in fact, Everywhere WE go!

Stuart Theobald @rationalhill
Who does MTN use to advise on its (non-) communication strategy?

Alistair Anderson Jo @andersonjourn
@rationahill Murray & Roberts

Mabine Seabe II @Mabine_Seabe
ANCWL: President Jacob Zuma is the father of the nation. Nation: WE DEMAND A PATERNITY TEST!

Chester Missing @chestermissing
ANCWL is marching. They're absolutely resolute. No 1 has guaranteed he will let them know what they are marching for when they get there.

"Washing one's hands of the conflict between the powerful and the powerless means to side with the powerful, not to be neutral."
– Paulo Freire, Brazilian educator and philosopher (1921–1997)

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